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Salman Ahmed

Carnegie Endowment for International Peace

Allison Gelman

Carnegie Endowment for International Peace

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Please direct inquiries to:

Carnegie Endowment for International Peace
Publications Department
1779 Massachusetts Avenue, NW
Washington, DC 20036
P: +1 202 483 7600
F: +1 202 483 1840
CarnegieEndowment.org

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Many people helped to inform and prepare this report, but the report's authors alone bear responsibility for its content. The program is grateful to all of them for their flexibility and contributions. As a group effort, the report cannot represent every author's views in all chapters; some authors preferred different language and emphasis in places.

SUMMARY

U.S. foreign policy has not come up often in the 2020 presidential campaign. But when it has, candidates on both sides of the aisle frequently have stressed that U.S. foreign policy should not only keep the American people safe but also deliver more tangible economic benefits for the country's middle class. The debate among the presidential contenders is not if that should happen but how to make it happen.

All too often, this debate takes place within relatively small circles within Washington, DC, without the benefit of input from state and local officials, small business owners, community leaders, local labor representatives, and others on the front lines of addressing the challenges facing middle-class households. That is why the Carnegie Endowment for International Peace convened a bipartisan task force in late 2017 to lift up such voices and inject them into the ongoing debate. The task force partnered with university researchers to study the perceived and measurable economic effects of U.S. foreign policy on three politically and economically different states in the nation's heartland—Colorado, Nebraska, and Ohio. The first two reports on Ohio and Colorado were published in December 2018 and November 2019, respectively. This third report on Nebraska has been prepared in partnership with a team of researchers at the University of Nebraska-Lincoln (UNL).

To gauge perceptions of how Nebraska's middle class is faring and the ways in which U.S. foreign policy might fit in, the Carnegie and UNL research teams reviewed household surveys and conducted individual interviews and focus groups, between July and August 2019, with over 130 Nebraskans in Columbus, Scottsbluff/Gering, Kearney, Lincoln, North Platte, and Omaha.

While those interviewed expressed many different opinions on a broad range of topics, several opinions were repeated often in rural and urban areas alike, in strikingly similar terms.

Prior to the COVID-19 crisis, there was widespread confidence about the state of the U.S. and Nebraska economies but also deep anxiety about how hard it is for working families to sustain a middle-class lifestyle. Virtually everyone interviewed for this study welcomed the low rate of unemployment. They stressed that help wanted signs could be seen throughout the state and that anyone who wanted a job likely could find one. However, like people across Colorado and Ohio, Nebraskans also regularly report mounting financial anxieties about the rising costs of healthcare, education, and housing, in addition to

other local concerns more specific to Nebraska: high property taxes, the rampant rate at which retail stores are closing, extreme flooding, and farm consolidation.

There is a lack of information about the U.S. role in the world. As in Colorado and Ohio, working families in Nebraska often find it difficult to determine how their economic interests are affected by most U.S. foreign policies, especially if they are not working in an area that is heavily dependent on what happens overseas. They are focused on their day jobs and meeting their daily expenses. And even when they do pay more attention to the country's foreign policy, it is difficult to know what to believe amid such politically biased and divisive commentary from media outlets.

There is an erosion of trust in foreign policy professionals (and in the federal government generally). Also similar to Colorado and Ohio, doubts abound in Nebraska that foreign policy professionals in Washington, DC, truly understand the economic realities confronting middle-income households or that they prioritize these realities in the development of U.S. foreign policies.

International trade policy is viewed as the most important aspect of U.S. foreign policy for Nebraska's middle class, particularly due to its impact on the agricultural production complex. The message was remarkably consistent: the more international trade the better. Nebraskans' interests on trade seem to be largely aligned, in contrast to Ohio, where past trade policies and globalization have produced winners and losers within the state in far greater numbers, particularly for the large manufacturing workforce. While many Nebraskans expressed strong support for President Donald Trump and his administration's decision to play hardball with China, and even conveyed a willingness to incur some near-term pain to that end, their views diverged on how much pain they could absorb and whether it would be worth it.

Immigration came up almost as often as trade as a "foreign policy" issue that mattered most to Nebraska's economy and middle class. Those interviewed sounded a common refrain: the United States needs a streamlined, pragmatic approach to permitting more foreigners willing to work in Nebraska's unfilled jobs. While Coloradans discussed immigration in similar terms, they did not bring it up nearly as frequently or as forcefully as Nebraskans did. Population decline in rural Nebraska makes the area more dependent on international immigration to offset workforce shortages. Those interviewed also expressed pride that Lincoln and Omaha hosted high rates of refugees per capita relative to most other U.S. metropolitan areas. That said, they made a distinction between legal and illegal immigration, voiced opposition to the concept of open borders, and spoke openly about cultural challenges that arise with growing immigrant and refugee populations.

Those interviewed generally expressed strong support for peacetime defense spending that keeps the U.S. military strong, even if they evinced no enthusiasm for the United States getting into another major war. The need for a strong national defense overrode economic considerations for them. While

Offutt Air Force Base contributes significantly to the economy of the greater Omaha area, defense spending in Nebraska does not benefit the state's economy nearly as much as it does in Colorado or anchor a regional economy as it does in Dayton, Ohio.

When asked about climate change, those interviewed focused on the near-term impacts of regulatory changes on jobs associated with ethanol production, farming, ranching, and rail transport of coal. Unlike in Colorado, only a minority of interviewees in Nebraska argued that the international fight against climate change should be a top U.S. foreign policy priority.

When interviews were conducted, U.S. foreign aid did not come up that frequently in connection with the economic interests of Nebraska's middle class. But those interviews were conducted in 2019, long before the outbreak of the coronavirus (COVID-19), which originated overseas and rapidly spread around the world and across all fifty U.S. states. The spread has resulted in the worst public health crisis that most Americans have experienced in their lifetimes. In addition to threatening individuals' lives and physical well-being, the measures required to contain the virus's spread have totally upended Americans' social interactions and way of life. And the economic consequences have been devastating, especially for middle-income households contending with business closures and lost wages. One can assume that, in the wake of this crisis, more Americans, including Nebraskans, will see a connection between the economic interests of America's middle class and U.S. efforts to strengthen global health security systems to prevent the outbreak and spread of pandemic diseases. At the same time, Americans' anxieties about globalization and economic relations with China may also be exacerbated by this crisis.

Upon reflecting on the findings across these three different states, it becomes clear that foreign policy professionals need to reexamine how they are defining the national economic interests intended to be advanced through U.S. foreign policy. These case studies reveal that rates of economic growth and unemployment are important but incomplete measures of the economic well-being of the country's middle class. One must also examine the effects of foreign policy on middle-class jobs, standards of living, and the economic viability of local communities. There must be greater acknowledgment of how these effects diverge in different places. In their upcoming final report, Carnegie's task force members will evaluate how national economic interests are being defined in the context of what has been learned, as well as propose national-level recommendations.

CHAPTER 1

INTRODUCTION

U.S. foreign policy and national security professionals are often disconnected from the economic realities that middle-class Americans confront and thus unable to test their assumptions about how U.S. foreign policies intersect with those realities. To address this gap, the Carnegie Endowment for International Peace launched a multiyear research effort dedicated to exploring the perceived and measurable economic effects of U.S. foreign policy on the economic well-being of the country's middle class (see Box 1). Starting in 2017, Carnegie convened a bipartisan task force, whose members have served in senior policy roles in Democratic and Republican administrations, to oversee the effort and make concrete recommendations.

The task force and its research team have collaborated with university partners—at The Ohio State University, the University of Colorado Boulder, and the University of Nebraska–Lincoln—to gather data in three U.S. states, respectively: Ohio, Colorado, and Nebraska. The task force deliberately chose to focus on the middle class in the center of the country, given prevailing criticism that the nation's top earners in coastal cities have disproportionate influence on those developing foreign policies in Washington, DC. The findings from the Ohio and Colorado case studies were published in December 2018 and November 2019, respectively. This report focuses on how Nebraskans perceive U.S. foreign policy and its impact on their economic well-being. It contextualizes those perceptions with relevant quantitative data and is written with U.S. foreign policy and national security experts in mind.

Nebraska is more than just an ag state or a red state.

Why Nebraska?

Having covered Ohio, a major manufacturing swing state, and Colorado, a new economy state that has trended blue in recent years, the task force decided to round out the trio with an agricultural state that traditionally votes Republican. Few other U.S. states' economies revolve around agriculture as much as Nebraska's does.¹ Its governor and entire congressional delegation are all Republicans. The Republican presidential candidate has won the state in every election but one (1964) since World War II.²

Yet Nebraska is more than just an ag state or a red state. More than half the state's population now lives in the Lincoln and Omaha metropolitan areas—two areas that have become increasingly cosmopolitan and remain politically diverse.³

TABLE 1

Comparison of Case Study States⁴

	Nebraska	Colorado	Ohio	U.S.
<i>3-Person Household, 2016:</i>				
Middle-Income Range	\$40,902-122,705	\$46,551-139,653	\$40,359-121,078	\$45,195-135,585
Median Income	\$61,353	\$69,827	\$60,539	\$67,793
Population, 2019	1,934,408	5,758,736	11,689,100	328,239,523
Population Growth, 2010-2019	6%	15%	1%	6%
Population With a Bachelor's Degree or Higher (ages 25+), 2018	32%	42%	29%	33%
Gross Domestic Product (GDP), 2018 (billions)	\$124	\$372	\$676	\$20,580
Median Value of Owner-Occupied Housing, 2018	\$161,800	\$373,300	\$151,100	\$229,700
Poverty Rate, 2018	11%	10%	14%	13%
Unemployment, 2018	3%	3%	5%	4%
Labor Force Participation Rate, 2018	69.1%	68.7%	63.1%	63.3%
Top Nongovernment Employers	Tyson Fresh Meats Mutual of Omaha Insurance JBS Beef	Walmart Kroger Co. UCHealth	Walmart Cleveland Clinic Foundation Kroger Co.	Walmart Kroger Co. Home Depot
Manufacturing Employment, 2018	9.7%	5.4%	12.6%	8.5%
Defense Spending, 2018 (% of GDP)	1.2%	2.6%	1.4%	2.4%
Goods Imports, 2018 (% of GDP)	4%	4%	10%	12%
Goods Exports, 2018 (% of GDP)*	6%	2%	8%	8%
Service Exports, 2017 (% of GDP)	3%	4%	3%	4%
State Governor	Republican	Democrat	Republican	23 Dem, 27 Rep
Senators	2 Rep	1 Dem, 1 Rep	1 Dem, 1 Rep	45 Dem, 53 Rep
Representatives	3 Rep	4 Dem, 3 Rep	4 Dem, 12 Rep	232 Dem, 197 Rep

*Goods exports as a percent of GDP may be larger than recorded, especially for agricultural-exporting states like Nebraska. See Appendix D for further explanation.

In these areas, banking, financial services, insurance, state government, transportation, healthcare, and universities anchor modern, diversified economies.⁵ And in the last decade, Lincoln and Omaha have boasted some of the highest rates of refugees per capita in the nation.⁶ In 2008, president Barack Obama picked up one of the state's five electoral votes by winning the second congressional

district, where Omaha is located. Nebraska and Maine are the only two states where it is possible for electoral votes to be split among multiple presidential candidates.⁷ And Nebraska is the only state with a unicameral, nonpartisan state legislature.⁸ It is indeed a unique state, yet at the same time, its population growth, levels of postsecondary education, and percentage of workforce in manufacturing all approximate the national average (see Table 1).

Finally, Nebraska is an excellent example of how the very nature of the middle-class household has changed over the years. Many families in Nebraska secure a middle income by working longer hours, holding multiple jobs at once, and maintaining dual-income households. Nebraska is ahead of the national average in many of these areas, making it a state with especially high labor force participation.

A comparison of key data for the three states is detailed in Table 1.

Methodology

As in the cases of Ohio and Colorado, this report focuses on perceptions of the economic impact of foreign policy on the middle class and the ways in which those perceptions stack up against relevant economic data; this is because it is not feasible to model quantitatively the total economic impact of all U.S. foreign policy on a specific income group in a single state. There are far too many variables involved, including the wars the United States wages or prevents, the stability for the global economy it provides, the commerce it enables, the trade in goods and services it conducts, the foreign investment it makes or receives, the aid it delivers, and the friendly relations it forges.

To gauge perceptions in Nebraska, the research team—Jill O'Donnell, David Rosenbaum, and Eric Thompson at the University of Nebraska–Lincoln (UNL); Tarik Abdel-Monem and Janell Walther at the University of Nebraska Public Policy Center; and Salman Ahmed and Allison Gelman at the Carnegie Endowment—conducted interviews and focus groups with approximately 130 state and local officials, community leaders and residents, agricultural leaders, and Nebraska-based business owners, managers, and employees (see Appendix A for a list of those interviewed).

The research team concentrated on this group of Nebraskans because they could speak authoritatively about the state's economy and middle class, yet, other than with a few notable exceptions (for example, Nebraska's governor and director of agriculture or the president of Nebraska's Farm Bureau), they seldom have a chance to weigh in on debates about foreign policy in Washington, DC. As in the Ohio and Colorado cases, a key aim of this study is to lift up such voices. The UNL team tapped into its extensive network of local partners across the state—county governments, municipal and city councils, local economic development organizations, local chambers of commerce, and private nonprofit organizations—to organize the visits and solicit participants.

The focus group participants were asked to respond to open-ended questions about how they perceived the impact of U.S. foreign policy on the local economy and economic well-being of Nebraska's middle class. The same questions and format were employed in all discussions, consistent with the protocol approved by the Institutional Review Board at UNL. All interviews were recorded, transcribed, and subsequently coded (see Appendix B for more details on the interview protocol and methodology for the qualitative research).

The research team conducted interviews and focus groups in six locations around the state to capture its economic and political diversity. These areas (that are solidly Republican, except where otherwise noted) were:

- **Columbus (Platte County):** The state's tenth-largest town, with over 22,000 residents and home to large manufacturing and agriculture companies and the headquarters of the Nebraska Public Power District. It is also the seat of Platte County, which, in 2017, was the county in Nebraska most reliant on agricultural trade with Canada and Mexico in terms of total export value.⁹
- **Scottsbluff/Gering (Scotts Bluff County):** A joint metropolitan community known for farming and agribusiness, particularly related to beans, sugar beets, hay, and livestock. It also hosts the main retail center and regional hospital for the Nebraska Panhandle.
- **Kearney (Buffalo County):** After Lincoln and Omaha, one of the state's most prosperous areas. It boasts historically low rates of unemployment and a diversified local economy centered around agribusiness, manufacturing, transportation, tourism, and the University of Nebraska at Kearney.
- **Lincoln (Lancaster County):** The state's capital and second-largest city. Its economy centers around healthcare, insurance, other financial services, higher education, and various state and federal government agencies. The largest county of the metropolitan area, Lancaster, voted narrowly for the Democratic nominee Hillary Clinton in the 2016 presidential election.
- **North Platte (Lincoln County):** A western regional transportation hub, located in the heart of farm and ranch country, where Union Pacific Railroad has long played a major role in the local economy.
- **Omaha (Douglas County):** The state's largest city, a hub for multiple universities and industries, and home to the headquarters of Berkshire Hathaway, Gallup, and Mutual Insurance of Omaha. Douglas County, in which Omaha is based, voted narrowly for Clinton in the 2016 presidential election.

The research team opted against visiting the northeastern rural areas of the state that were undergoing severe stress from flooding at the time interviews were being conducted (see Chapter 2 for further details on the impact of the flooding).

The location and voting patterns of the areas where interviews were conducted are illustrated in Figure 1. Note that some focus group participants came from surrounding counties.¹⁰

Research Bias

The vast majority of those interviewed reported residing in middle-income households, albeit generally above the median. The interviewees tended to be more male, white, older, and better educated than is representative of Nebraska's workforce, but the sample is consistent with the demographics of those in community leadership positions across the state. Outside the major cities, the majority of these individuals described themselves as traditional Republicans; most of those in the Lincoln and Omaha areas characterized themselves as center-right or center-left, as opposed to being on the far-right or far-left of the political spectrum. That said, the team met with participants that spanned a wide range of incomes, education levels, and political affiliations. They offered \$50 cash incentives and meals to encourage the participation in focus groups of those who might not otherwise readily engage in academic research.

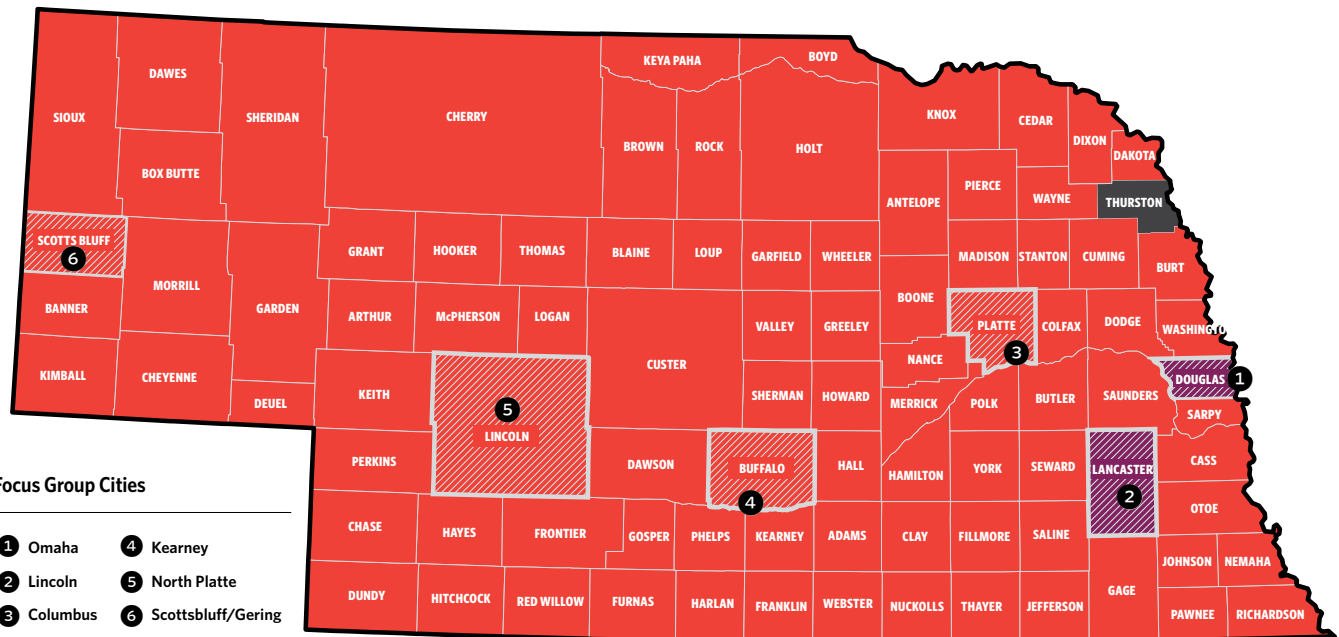
Recognizing the limitations of the interviews and focus groups to tell the whole story, this study does not rely on qualitative findings alone. Economists at UNL's Bureau of Business Research provided considerable economic and other data that put in context what participants said or did not know. The UNL team drew from the results of household surveys they regularly conduct to elaborate on Nebraskans' top financial concerns. They also considered information from the recently completed Blueprint Nebraska—a strategic plan developed by a group of business, industry, and civic leaders who recently released a report that surveyed Nebraskans' economic concerns and offered a detailed set of proposals to address them.¹¹

Finally, it is worth noting that the questions posed during the interviews and focus groups, as well as the supplemental research, were consciously directed toward the economic effects of foreign policy. Had the discussions focused on security, some foreign policy concerns, such as the threat of terrorism, would probably have come up more frequently. Likewise, different views may have been expressed on issues like immigration had the conversations focused on cultural rather than economic considerations. The participants' values, sense of identity, and the sources of information on which they rely likely played a role in the views they expressed, as research suggests.¹² This is noted, where evident, but it is not the subject of this study. Rather, this study is deliberately centered on the intersection of U.S. foreign policy, jobs, and the pocketbook issues of concern to middle-income households.

FIGURE 1

Focus Group and Interview Counties¹⁰

The research team conducted interviews and focus groups in six counties across Nebraska. The counties covered a range of political leanings and economic realities.



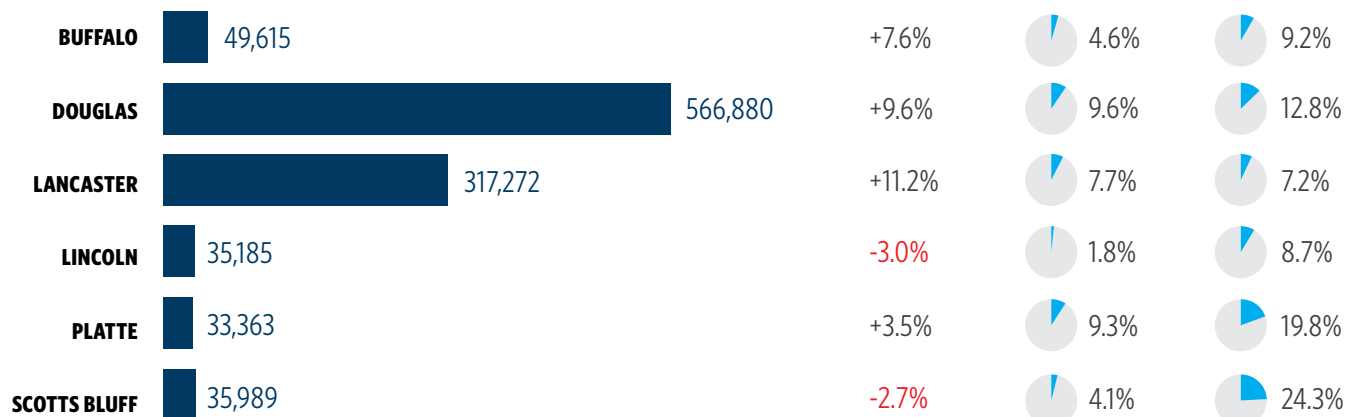
Voting by Nebraska Counties in the 2012 and 2016 Presidential Elections



POPULATION

1,929,268

TOTAL POPULATION (2018)

Population Growth
(%, 2010–2018)**+5.6%**Foreign Born
(%, 2014–2018)**7.0%**Hispanic or Latino
(%, 2018)**11.2%**

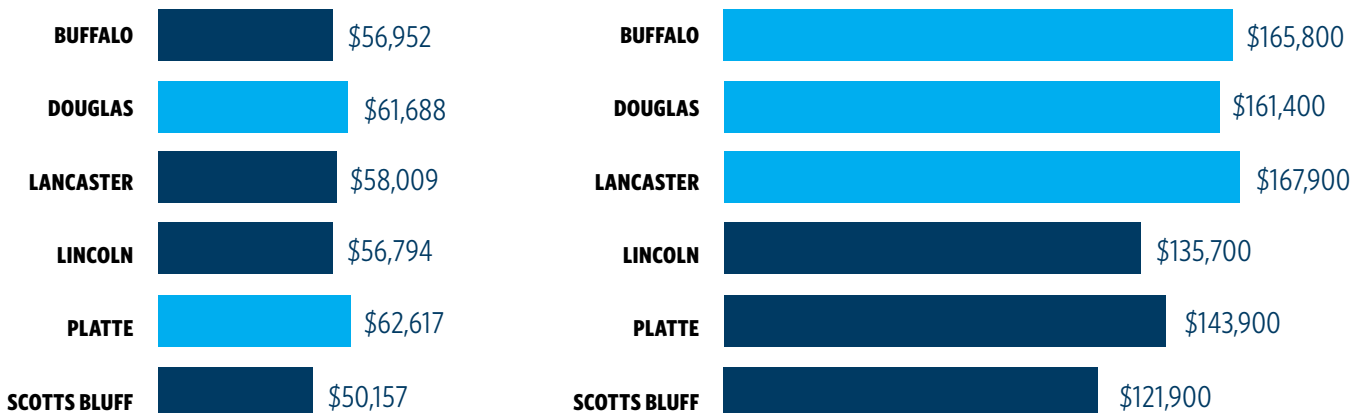
INCOME & HOUSING

Less than state median
 Greater than state median

Median Household Income
(2013-2017)

Owner-Occupied Housing Median Value
(2013-2017)

NEBRASKA **\$59,116** **\$147,800**



11

UNEMPLOYMENT

2.9%

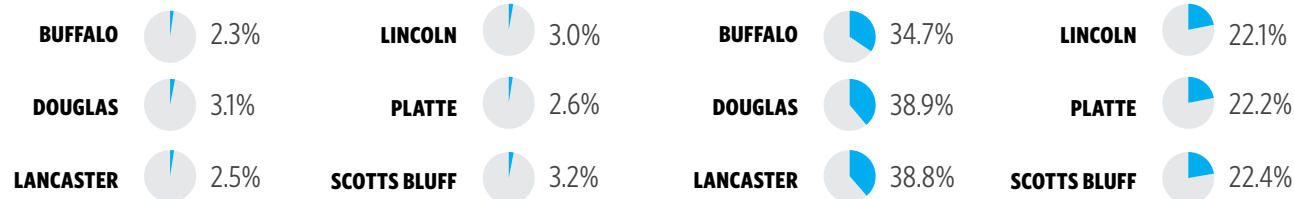
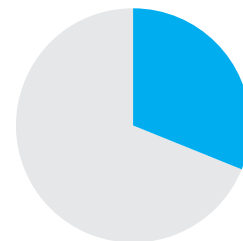
TOTAL UNEMPLOYMENT
2018



EDUCATION

31.3%

BACHELOR'S DEGREE OR HIGHER
(POPULATION 25+) 2014-2018



Who Is the Middle Class and How Is Foreign Policy Defined?*Middle Class*

There are many different definitions one could employ to define the middle class. These case studies focus on households falling within the middle-income bracket, defined by the independent, nonpartisan Pew Research Center as two-thirds to double the median income, adjusted for household size and local cost of living. Table 1 shows the middle-income ranges in Ohio, Colorado, Nebraska, and the United States. The term middle class connotes more than income alone, however. Many also associate this term with the dignity of work, position in society, and/or the maintenance of a certain lifestyle. Those interviewed for the project often described a middle-class lifestyle as the ability to secure a job with adequate pay and benefits to meet their monthly expenses, tend to their families' medical needs, buy a car, own a home, help their kids pursue decent postsecondary education, take an annual vacation, save for retirement, and not be saddled with crippling debt.

Foreign Policy

The term foreign policy in this study serves as shorthand for foreign, defense, development, international economic, trade, and other internationally oriented policies perceived by those interviewed for the project as impactful to their economic well-being. Interviewees across the states also associated foreign policy with some issues that typically fall under the purview of domestic policy, such as foreign direct investment, immigration, and energy and climate change.

Further information on the definition of terms, the rationale for the project, and relevant historical context can be found in the introductory chapter of the first report on Ohio.

CHAPTER 2

TOP MIDDLE-CLASS CONCERNS

Before turning to trade and other foreign policy-related issues, it is important to stress that many other issues concern Nebraska's middle-class households equally or far more. Some of those concerns are similar to those raised in Colorado and Ohio. Others are more specific to Nebraska—such as the path taken to achieve middle-income status, the exposure of many rural communities to high property taxes, farm consolidation, extreme weather, and retail store closures.

Challenges to Achieving a Middle Income in Nebraska

Virtually everyone interviewed for this case study, prior to the COVID-19 crisis, expressed confidence in Nebraska's economy and remarked often about the low rate of unemployment. They stressed that help wanted signs could be seen throughout the state and that anyone who wanted a job likely could find one. Moreover, Nebraska rebounded more quickly from the Great Recession than most other U.S. states. That is because its large agricultural sector benefited from high global commodity prices at the time and the hard-hit auto industry accounts for a very small share of its economy. The city of Kearney is doing so well now that local economic developers reported having to turn away some new businesses seeking to relocate there because they would not be paying high enough wages.¹³

This sense of confidence in the state's economy—especially in Kearney, Lincoln, and Omaha—nonetheless coexists with mounting financial anxieties that Nebraskans throughout the state regularly report in household surveys. In those surveys, they raise deep concerns about the high costs of healthcare, insurance, and education, as well as the dwindling pool of affordable housing for middle-income families.¹⁴ In general, the types of concerns Coloradans, Ohioans, and Nebraskans raise about the future of the middle class bear striking similarities. In all these places, the message is the same: economic growth and job creation are crucial and welcome, but they are not enough to keep the middle-class dream alive when rising household costs are perceived to outpace increases in income.

Economic growth and job creation are crucial and welcome, but they are not enough to keep the middle-class dream alive when rising household costs are perceived to outpace increases in income.

Similar to families in Colorado and Ohio, families in Nebraska increasingly utilize dual-income households to afford a middle-class lifestyle. What makes Nebraska unique is the extent to which families work longer hours and hold multiple jobs at once to secure a middle income, when simply working normal hours in a single job is not enough. The state has the fourth-highest labor force participation rate and the third-highest employment to population ratio in the country.¹⁵ In 2015, 7.7 percent of workers in Nebraska held multiple jobs, compared to 4.9 percent for the nation.¹⁶ A more recent regional survey found that 15 percent of the adult population in Omaha, 16 percent in Lincoln, and 18 percent in north-eastern Nebraska (including Columbus) hold multiple jobs.¹⁷

These realities may explain why so many Nebraskans consider themselves to be middle class, even though the wages for so many jobs in the state fall within the lower-income bracket (as discussed in the next chapter and Appendix C). Nebraskans are working more to make up the difference, and there are enough jobs available to do so.

High Property Taxes

“What do you mean foreign policy? I don’t care about foreign policy . . . we just got through the tax protest . . . so that’s still fresh on my mind.” – A county government official and private business owner in North Platte¹⁸

Nebraska’s property taxes are the tenth highest in the United States. Nebraska’s farm owners can end up paying almost half of their net farm income in agricultural property taxes and almost two-thirds in total taxes.¹⁹ The rates of state and local taxes are therefore a perennially hot topic. Farm owners naturally advocate lower rates. But others in the state are resistant to efforts to drop the rates, given that approximately 60 percent of the taxes farmland owners pay help to fund Nebraska’s schools.²⁰

Farm owners’ concerns about taxes are in part due to the high valuation of land. While rising farmland values reflect the strength of Nebraska’s farming and ranching sectors, higher land valuation also means higher tax burdens. In the ten-year period between 2008 and 2018, the value of Nebraska’s agricultural land increased by over 200 percent. Meanwhile, residential property has increased by only 34 percent over the same period.²¹ From the perspective of farm owners, they have been taxed more heavily over the past decade than urban professionals in Lincoln and Omaha.

Farm owners in Nebraska have therefore welcomed a recent change in the trends. Just in the last few years, the value of residential property, especially in Lincoln and Omaha, has started to climb more rapidly, precipitating mounting concerns about urban housing prices. Meanwhile, the value of agricultural land has plateaued.

Farm Consolidation

Similar to other agricultural states, Nebraska has experienced the same trend playing out nationally of medium-sized farms and ranches being bought out and consolidated with larger ones or being split into specialty or so-called hobby farms. From 2012 to 2017, Nebraska lost almost 6,000 farms (26 percent), ranging in size from 50 to 999 harvested acres, while it added 550 farms harvesting 1,000 acres or more and 560 farms harvesting less than 50 acres.²² The increase in the number of farms harvesting 50 acres or less is reflective of the move to specialized and organic farming. Meanwhile, the trend toward larger farms—including family-owned or family corporate farms—has been playing out for years, perhaps inevitably in response to new technologies affording larger economies of scale in production. It takes economies of scale to sustain a profit or even stay afloat in this environment.²³

As an interviewee from North Platte explained, “If somebody wants to get into agriculture or farming, it’s extraordinarily difficult to get the scale you need to make it go. And often the solution is, when the last old couple dies, the family sells the farm . . . it happens because each [farm] is more productive than they used to be, so you really don’t need as many.”²⁴

Extreme Flooding

At the time this study was conducted in July and early August 2019, the state was still grappling with the severe consequences of a March blizzard in western Nebraska and historic flooding that caused an estimated \$1 billion in losses to the state’s agricultural economy, including \$440 million in potential cow-calf operation losses and \$400 million in crop losses.²⁵ At the time, floodwaters prompted the closure of 3,300 miles of state and federal highways and twenty-one bridges.²⁶ States of emergency were declared in eighty-four of Nebraska’s ninety-three counties.²⁷ The state will long be contending with almost a half a billion dollars in infrastructure damage, with an estimated 200 miles of paved roads destroyed and at least fifteen bridges washed away.²⁸ Governor Pete Ricketts called these events “the most widespread disaster we’ve had in our state’s history.”²⁹

On top of this, in early July 2019, an irrigation tunnel associated with the Gering-Fort Laramie irrigation canal collapsed, disrupting water delivery to approximately 107,000 acres of farmland in eastern Wyoming and Scotts Bluff County in the Nebraska Panhandle for nearly six weeks. The tunnel collapse severely impacted crop production in the region for the season, potentially costing as much as \$89 million in losses. Water did not begin flowing in the canal until late August.³⁰

Any discussion of the well-being of rural, agricultural communities must consider the effects of increasingly frequent floods, extreme weather, and disruptions in water supply. They affect the planting of crops at home and agricultural commodity prices globally. Farmers and ranchers interviewed for this study

found it difficult to comment on the impact of trade policies on their economic well-being in isolation from such factors, particularly the weather.

Thus, while trade is detailed in the next chapter as a prominent concern for the economic well-being of agricultural-based communities, it is by no means the only concern, and it can, in some instances, play second fiddle to extreme weather, farm consolidation, and property taxes. As the president of the Nebraska Farm Bureau put it, “If we wouldn’t have had all of these weather things, you know, would corn and soybeans be half the price that they are now because of the trade issues? . . . If we solve a bunch of the trade issues, do prices double? You know, I doubt that.”³¹ Consequently, it rings hollow to raise concerns about farmers’ and ranchers’ well-being solely in connection with criticism of President Donald Trump’s trade policies. On a related note, Nebraskans can see mentions of flooding as politicizing the issue if it is brought up principally to highlight the impact of climate change, rather than treating it as a concern for the agricultural community in its own right.

The Retail Apocalypse

In addition to being worried about the factors affecting their agricultural economic base, many of those interviewed, especially in rural counties, expressed anxiety about the growing numbers of vacant commercial spaces. Some explicitly referred to “the retail apocalypse,” a recent trend of thousands of brick-and-mortar retail stores across the United States closing up shop due to exponential growth in e-commerce, previous overbuilding of shopping malls, and changes in middle-class households’ spending power and preferences, among other factors.³²

While this is a national trend, the closure of brick-and-mortar chains has hit rural, sparsely populated counties especially hard, because there are fewer retailers to begin with. “When you lose, you know, 20 percent of your, 30 percent of your downtown business base, boy, that really affects you. It leaves a lot of empty businesses and so we’re really seeing that locally,” expressed a North Platte resident and county government representative.³³ Meanwhile, it is also much more

Eighty of Nebraska’s ninety-three counties are considered rural, and 80 percent of them have populations that are shrinking.

difficult for rural communities to attract new businesses to occupy the sites. Firms are more likely to open up new physical stores near major population centers and in growing areas. Eighty of Nebraska’s ninety-three counties are considered rural, and 80 percent of them have populations that are shrinking.³⁴

This phenomenon has hit Scottsbluff particularly hard since it serves as a regional hub for retail services in the Nebraska Panhandle. As one local official stressed, this small city of 36,000 hosts a retail population of 150,000, with consumers streaming in from surrounding areas. And local sales taxes help pay for many of the city’s services.³⁵

The continued closure of retail stores will therefore have a profound impact on local communities across the region. According to the Nebraska Department of Revenue, Scotts Bluff County had 538 retail establishments in 2010. By 2018, there were 445 establishments, with sales barely having grown since then, as otherwise would have been expected.³⁶

Lack of Trust in Information

Finally, another important piece of context to address before diving into foreign policy-related issues is the frequency with which interviewees and focus group participants expressed a lack of trust in information and the media. Participants bemoaned the declining quality of news media and voiced concerns about the use of social media as a provider of news and opinions. Their lack of trust was not restricted to traditional or social media alone, however. It extended to the government and research and scientific institutions.

Participants noted that locally trusted leaders can have a strong influence on how people think about policies, especially given the considerable lack of information coming out of Washington, DC, and distrust of the information that does. As one participant put it, “I think there’s [only] a little, if any, understanding of foreign policy at the household level. . . . Doesn’t mean people . . . don’t care; they really don’t know. You folks in DC have really screwed it up. Really, the policy of the country is unknown to most of us. . . . I would suspect that the domestic economics of the U.S. are being whipped back and forth by foreign policy, not to our best interests.”³⁷

This prevailing mistrust suggests that if focus group participants were privy to more information they could trust, they could potentially change some of the opinions they expressed, as detailed in subsequent chapters, especially on issues that did not relate to their firsthand experiences. Meanwhile, the priority they attached to foreign policy-related issues could also change, depending on how events unfold on other issues, such as local property taxes and extreme weather.

TRADE AND THE AGRICULTURAL PRODUCTION COMPLEX

When asked how Nebraska's middle class is affected by foreign policy, those interviewed put the impact of trade policy on the state's agricultural sector at the top of the list. Interviewees noting such concerns included people working in healthcare and social assistance, educational services, and federal, state, and local government, which collectively account for almost one-third of the state's workforce.

The reason for that is simple. While Nebraska has a diversified economy and workforce, with the majority in nontradable or domestically focused sectors, approximately one in four jobs in the state directly or indirectly depends on the globally connected agricultural production complex.³⁸ Even if they do not hold one of those ag-related jobs, most Nebraskans likely benefit in some way from the revenues the sector generates. That may explain why so many of those interviewed, whether directly involved with agriculture or not, said they supported any trade policies that worked best for farmers, ranchers, and others associated with the agricultural production complex. It is from this business, rather than consumer, perspective that participants uniformly spoke about trade (see Appendix C for details on the breakdown of Nebraska's economy and workforce).

The message on trade conveyed by those throughout Nebraska's agricultural production complex was remarkably consistent: the more international trade the better. From ranchers and farmers in the Nebraska Panhandle and fertilizer distributors in Columbus to agricultural real estate brokers in North Platte and manufacturers of agricultural machinery in Kearney, the general sense all these individuals conveyed was that Nebraskans' interests on trade were largely aligned. This perception stood in stark contrast to the views heard on trade in Ohio, where past trade policies and globalization had produced winners and losers within the state, particularly for the large manufacturing workforce.³⁹

The only place where one might have discerned some nuanced differences on trade among those interviewed pertained to the Trump administration's tactics for dealing with real and perceived unfair practices by trading partners. While they expressed strong support for the administration's decision to play hardball with China, and even a willingness to incur some near-term pain to that end, their views diverged on how much pain they could absorb and whether it would be worth it.

The message on trade conveyed by those throughout Nebraska's agricultural production complex was remarkably consistent: the more international trade the better.

Nebraska's Agricultural Production Complex

Nebraska is a leading agricultural state in the United States. It is second only to South Dakota in terms of agriculture's share of GDP—4.8 percent in Nebraska compared to 0.8 percent nationally.⁴⁰ It is also a leading producer of livestock and field crops. Nebraska ranks in the top five in more than twenty agricultural industries (see Table 2 for a selection).

Nebraska has leveraged its leadership position in crop and livestock production to develop, attract, and retain food processing companies, such as Tyson Fresh Meats and JBS, and manufacturers of agricultural machinery and equipment, such as Valmont Industries. Of Nebraska's 99,000 manufacturing jobs, the U.S. Bureau of Labor Statistics estimates that 37,000 are in food manufacturing alone.⁴¹

The demand for hauling crops and livestock and Nebraska's position along Interstate 80, a key east-west interstate highway, contributed to the growth of two of the nation's leading trucking companies, Werner Enterprises and Crete Carrier. Both were established, and are still headquartered, in Nebraska. Likewise, many crops and corn-derived ethanol are transported by rail, which is significant for Union Pacific Railroad, headquartered in Omaha. Both Union Pacific and BNSF Railway maintain large train-switching and repair stations across the state.

These various components—crop and livestock production, ag-related manufacturing, and transportation and wholesaling—operate together as an interwoven economic system. Figure 2 exemplifies the agricultural production complex as it relates to three key products in Nebraska: corn, cattle, and ethanol.

TABLE 2

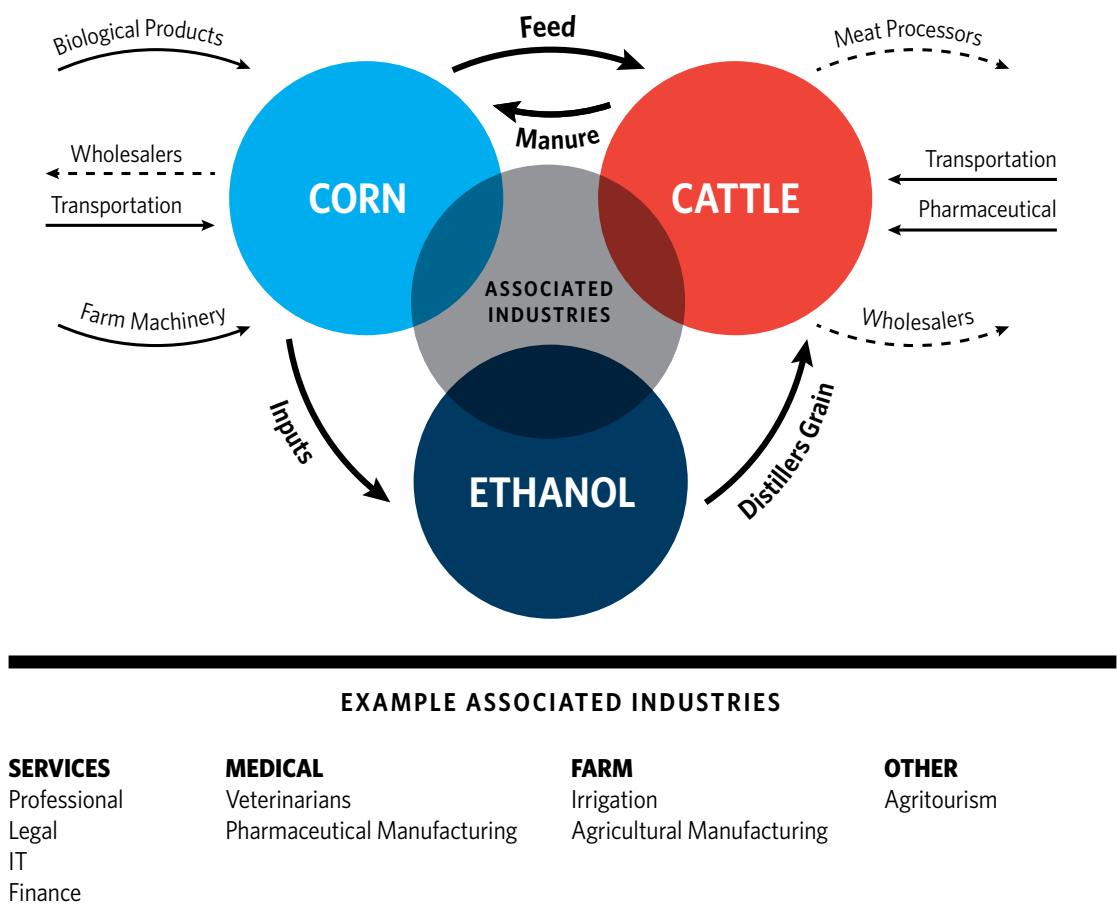
Nebraska Ranks in the Top Five in Numerous Agricultural Industries

Agricultural Product	Rank	Share of U.S. Production (%)
Beans, Dry Edible, Great Northern	1	82.2
Cattle on Feed	1	19.1
Red Meat Production	1	15.2
Cropland	1	14.8
Cattle and Calves	2	7.2
Hay	2	5.7
Corn for Grain	3	12.4
Soybeans	5	7.3
Sugar Beets	5	4.2

SOURCE: U.S. Department of Agriculture, National Agricultural Statistical Services, "Nebraska Rank in U.S. Agriculture," May 2019, https://www.nass.usda.gov/Statistics_by_State/Nebraska/Publications/Economic_Releases/Rank/2019/NE-rank19.pdf, accessed August 20, 2019.

FIGURE 2

Agriculture in Nebraska Is at the Core of a Larger Interwoven Economic System



SOURCE: E. Thompson, B. Johnson, and A. Giri, “The 2010 Economic Impact of the Nebraska Agricultural Production Complex,” University of Nebraska-Lincoln Department of Agricultural Economics Report no. 192, 2012, <https://agecon.unl.edu/research/nebraska-ag-economic-impact.pdf>.

This complex is supported by ag-related research and training at Nebraska’s universities and community colleges. It is further supplemented by agritourism (for example, the leasing of farmland for hunting, birding, and other recreational activities). The complex also connects the state’s different geographic regions. Nebraska’s agricultural producers in more rural counties, especially in the north-east and the Nebraska Panhandle, rely on equipment manufactured in the tri-cities area of central Nebraska (Grand Island, Hastings, and Kearney) and on legal and financial services largely based in Omaha, including insurance—a leading industry in the state.⁴²

The agricultural production complex reaches all parts of Nebraska. Focus group participants and interviewees in urban Lincoln and rural North Platte agreed that what impacts the agricultural production complex impacts all Nebraskans.

“Our number one focus in this part of the world is agriculture, even main street businesses live and die by agriculture out here.”

The majority of rural counties are particularly dependent on agriculture as the economic drivers for other businesses like grocery stores, car dealerships, and equipment repair shops, as well as tax revenue for local services.⁴³ Or, as it was

put in North Platte, “Our number one focus in this part of the world is agriculture, even main street businesses live and die by agriculture out here.”⁴⁴

The existence of such a dominant agricultural production complex, as distinct from simply having productive farms and ranches, is what makes U.S. states like Idaho, Iowa, Kansas, Nebraska, North Dakota, and South Dakota ag states. Researchers at UNL estimate that the agricultural production complex accounts for approximately one-quarter of Nebraska’s GDP and workforce.⁴⁵ By these measures, it plays a greater role in Nebraska’s economy than it does in the economy of any other U.S. state, with the possible exception of South Dakota. Further, interviewees for this study expect the economic impact of the agricultural production complex to remain strong, as it develops value-added production, such as biofuels, distillers grains for livestock feed, and the conversion of methane waste into energy.⁴⁶

Wages in the Agricultural Production Complex

Those in the foreign policy community unfamiliar with agriculture might assume that the sector is starkly divided between wealthy corporate farm owners and low-income farm labor. In reality, most farms in Nebraska are family-run. According to the latest U.S. Department of Agriculture (USDA) data, in 2017, 38,200 farms were organized for tax purposes as family-held farms. Only 4,268 were organized as corporate farms, and over 4,000 of those were family-held corporations.⁴⁷ In 2017, only 18 percent of farms had sales over \$1 million and just under 1 percent had sales greater than \$5 million.⁴⁸ As shown in Table 3, the majority of jobs in industries associated with the wider agricultural production complex fall within the middle-income range (albeit on the lower end of that range in many instances).

This is all to say that the impact of any domestic or international policies on agriculture is decidedly relevant to middle-class workers in Nebraska—from the meat cutters and trimmers earning \$33,000 per year and welders making just over \$40,000 per year to the animal scientists and industrial production managers taking in around \$100,000 per year.

Positive Attitudes Toward Trade Agreements

Nebraska’s agricultural production complex produces more feed grains, livestock, and manufacturing equipment than Americans can consume, thereby making exports essential to sustaining jobs. Approximately 21,000 ag-related jobs were directly dependent on exports in 2017, but a far greater number remain

TABLE 3

Industries Associated With the Agricultural Production Complex Often Pay Middle-Income Wages

Industry	Total Employment, 2018	Annual Mean Earnings
Manufacturing	99,280	\$44,200
Transportation and Warehousing	57,590	\$53,530
Finance and Insurance	56,870	\$61,140
Professional, Scientific, and Technical Services	45,060	\$64,260
Wholesale Trade	40,580	\$49,610
Real Estate and Rental and Leasing	10,070	\$42,830
Agriculture, Forestry, Fishing, and Hunting	1,840	\$44,400
Utilities	1,070	\$74,760
Nebraska—Total	978,310	\$46,710

SOURCE: U.S. Bureau of Labor Statistics, “Occupational Employment Statistics Estimates by State and Industry,” 2018, https://www.bls.gov/oes/current/oes_research_estimates.htm; U.S. Bureau of Economic Analysis, “Wages and Salaries by Industry,” 2018, <https://apps.bea.gov/itable/itable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>.

indirectly affected, given knock-on effects across the entire agricultural production complex.⁴⁹ The trade policies that most affect these jobs pertain to trade with Canada, Japan, and Mexico, which account for more than 40 percent of the state’s total exports. Trading arrangements with South Korea and China, rising destinations for Nebraska’s livestock and feed grains (soybeans), have also become increasingly important.⁵⁰ Other countries in Southeast Asia, such as the Philippines and Vietnam, are viewed as prime areas for future export growth (see Appendix D for more information on Nebraska’s trade trends).⁵¹

A business owner in Scottsbluff/Gering captured well a prevailing sentiment across the state when it comes to trade agreements: “We’ve got to get the USMCA [U.S.-Mexico-Canada Agreement] resolved.” He explained that the “real players” for U.S. agricultural exports are North America and Asia. Therefore, it was also “unfortunate” that the Trump administration withdrew the United States from the Trans-Pacific Partnership (TPP), the twelve-nation agreement, because “there’s a lot of mouths to feed along the Pacific Rim, so any kind of trade agreement . . . with Pacific Rim countries is extremely important to agriculture.”⁵²

Focus group participants zeroed in on Asia, in particular, viewing it as the most obvious destination for offsetting stagnating domestic demand for beef and pork. Some worried that other nations that stayed in the TPP—now renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The top concern was to preserve access to Canada's and Mexico's markets that had been secured in NAFTA and bring certainty back to the trading relationships.

(CPTPP)—would profit from the United States' withdrawal. For example, they were concerned that Nebraska's ranchers would ultimately lose market share to Australia, the United States' biggest competitor for exporting beef to Japan.⁵³

Those concerns would have been partially allayed, therefore, by the limited

trade deal that the United States and Japan concluded at the end of September 2019, reducing and eliminating tariffs and expanding market access on farm, industrial, and digital products (excluding automobiles).⁵⁴ Japan is Nebraska's top market for agricultural exports and number two export market overall. In 2018, Nebraska sent more than \$1.1 billion worth of agricultural goods to Japan, and that same year, the country was the top buyer of Nebraska's beef, pork, wheat, and eggs; this illustrates

why a U.S.-Japan trade deal was a point of emphasis for Governor Ricketts and others interviewed.⁵⁵

The majority of those interviewed appeared favorably disposed toward U.S. involvement in multilateral and bilateral trade agreements. Those familiar with the TPP seemed to agree that it would have been good for Nebraska's agricultural production complex.⁵⁶ They now saw passage of the USMCA as critical—an agreement that has since been ratified by the United States, Mexico, and Canada, as of the writing of this report.⁵⁷ (Note: the majority of the provisions in the USMCA are similar to those already negotiated with Mexico and Canada through the TPP, albeit with some important differences, such as on certain labor standards and more restrictive rules affecting the auto industry.) Under the USMCA, all agricultural and food products that had zero tariffs under the agreement's precursor, the North American Free Trade Agreement (NAFTA), will remain duty-free, including Nebraska's prominent exports of dry edible beans, corn, and beef, among others.⁵⁸

No one appeared to dispute the need to modernize and update NAFTA, whether through the TPP or the USMCA. But the top concern was to preserve access to Canada's and Mexico's markets that had been secured in NAFTA and bring certainty back to the trading relationships. That concern is important context for actions taken on October 26, 2019, when Nebraska's elected officials and agricultural leaders, including the Nebraska Farm Bureau and over 3,000 signatories from across the state, called on Speaker Nancy Pelosi to help secure passage of the USMCA in the House of Representatives.⁵⁹ Since then, Pelosi and the Trump administration did reach a deal, and, as noted earlier, the U.S. Congress ratified the agreement.

Conflicted Views on Tariffs and the So-Called Trade War With China

Not surprisingly, while those interviewed generally expressed clear support for concluding more free trade agreements that enhanced market access for Nebraska's products, they voiced deep concern about the imposition of tariffs. A Columbus resident captured the essence of a commonly expressed view across the state: "Well, I mean, I'm a free market kind of guy . . . I don't think tariffs are good for us from a long-term perspective."⁶⁰

Those in the manufacturing industry interviewed for this study voiced strong support for the U.S. steel industry and steel workers. They were prepared to absorb some pain to support them. That said, they cautioned that there also had to be limits. The state has approximately 440 steel- and aluminum-producing jobs, but over 27,000 steel- and aluminum-using jobs.⁶¹ Many of Nebraska's top manufacturers of ag-related machinery and equipment depend on imported steel and aluminum. The tariffs were therefore cutting into their margins.

For example, a manager of a manufacturer of agricultural equipment in Lexington estimated that, as a result of the steel tariffs, his company had seen "a 50 percent increase in [the cost of] our raw materials from basically the 1st of January of 2018 through the end of June of 2018." He predicted that the firm would incur half a million dollars in increased costs for fiscal year 2019 based on Chinese parts and components.⁶² He added that "we don't have the ability to pass this [these costs] on" because the company's customers, the farmers, cannot afford higher prices as they face their own low margins on corn. Thus, while he sympathized with the need for a healthy steel industry, there were limits to how much his company could sacrifice for what he said seemed to be a more "self-inflicted" input issue. Other manufacturers, like Aulick Industries in Scottsbluff, a manufacturer of transport trailers for the agricultural industry, have been able to weather the recent price increases to their supplies so far by buying early.⁶³

Turning from the steel tariffs to the larger trade battle, another resident of Scottsbluff/Gering captured a prevailing sentiment when he insisted that, over the long term, the United States needed to "focus [more] on developing markets" and "less . . . on picking a fight with China."⁶⁴

When interviewed for this report, Governor Ricketts assessed that Nebraskans were strongly in favor of open markets and increased international trade, including with China, and that they opposed tariffs. He stated his belief that, while Nebraska's farmers would certainly prefer a resolution to U.S.-China trade tensions resulting in an end to retaliatory tariffs on agriculture, they also supported Trump's efforts to push back on unfair Chinese trading practices that had gone unanswered for too long. He spoke further about the need to diversify export markets

While Nebraska's farmers would certainly prefer a resolution to U.S.-China trade tensions resulting in an end to retaliatory tariffs on agriculture, they also supported Trump's efforts to push back on unfair Chinese trading practices.

for Nebraska and pursue trade opportunities around the world, emphasizing, for example, the U.S.-Japan agriculture-focused trade deal that has since been concluded.⁶⁵

The interviews largely bore out the governor's assessment about Nebraskans' views on the trade war with China. In Columbus, one participant, like many others, strenuously defended the Trump administration, remarking that "the patent infringement, stealing our technology, all of that stuff, there should be consequences for that, and they've been doing it for so long that they didn't believe there were any consequences and, now all of a sudden, there are starting to be consequences."⁶⁶ An interviewee in Scottsbluff/Gering echoed the feeling, noting that "I think you do need to defend yourselves or take a stand, you can't let them [China] run over you. . . . So if it benefits long term, we'll suffer through the short term . . . I don't know if 'suffer' is the word but deal with it in the short term."⁶⁷ A North Platte resident drove home a similar point: "So I think if you look at the public policy of tariffs, probably long overdue. We have allowed China to run over us for years and years, and prior to the election, Democrats and Republicans alike were complaining about China and the grip they had on us. Amazingly, after the election was over, now all of a sudden the president takes steps to do something and suddenly it's wrong. Just like everything else he does is all wrong."⁶⁸

The strong defense mounted by those interviewed regarding the Trump administration's tough stance on China was unmistakable. The support for a strong response to China stands in contrast to some areas of Ohio, where China was seen as a necessary source of foreign direct investment (FDI). Nebraska has experienced negligible Chinese investment—less than \$50 million over the last three decades, compared with \$1.25 billion in Ohio.⁶⁹

Generally speaking, participants view the U.S.-China economic relationship from the perspective of exporting products to China rather than receiving investment from it. Nebraska has invested six times more in China than China has invested in Nebraska.⁷⁰ As mentioned, the agricultural industry sells heavily to the Chinese market. As such, Nebraskans have growing economic concerns regarding the ongoing trade disputes with China. As one of the representatives of the Nebraska Cattlemen Association put it, "There are folks [who] say, 'we can wait this out' but . . . they're getting nervous."⁷¹ Most of those interviewed were hoping that the trade tensions with China would be resolved very soon because the costs were mounting. (Interviews were conducted before the conclusion of the phase one trade deal that the United States and China reached in January 2020, which came into effect on February 14, 2020. This deal includes a Chinese commitment to significantly increase purchases of U.S. agricultural exports and redress long-standing nontariff barriers in the agricultural sector.)

In research prepared for the Yeutter Institute, an Iowa State professor and former analyst for the International Trade Commission estimated that the trade war with China—notably Beijing's retaliation for tariffs imposed by the United

States on its goods—could have resulted in losses of over \$800 million to Nebraska’s GDP through September 2019. At that time, he estimated it could cost Nebraska’s households approximately \$600 per year. These losses occurred due to lost exporting opportunities, increased production costs for companies using imported inputs, and increased costs to final consumers. He assessed that this figure could have climbed to \$940 per household had the additionally threatened tariffs gone into effect.⁷² (See Appendix E for an alternative accounting of the implications of tariffs on increased costs of final goods and services for middle-income households in Nebraska.)

As the costs mounted in 2019, some signs of anxiety and frustration began to emerge publicly. In a rare move, the Nebraska Corn Board and Nebraska Corn Growers Association issued a joint statement on August 29, 2019, expressing “outrage” at the administration’s lack of support for farmers, citing oil refinery waivers that dampen demand for corn ethanol production and frustration with trade policy.⁷³

Meanwhile, those interviewed expressed skepticism that the Market Facilitation Program (MFP) the Trump administration established in May 2019 to compensate farmers and ranchers for their losses could fully offset the true costs incurred. The *Lincoln Journal Star* reported that the MFP made 78,621 payments to nearly 40,000 farmers and businesses in Nebraska, in the amount of \$694 million, during its first year of operations from September 2018 to August 2019.⁷⁴ Taking these MFP payments into account, research published by Iowa State University and University of Nebraska economists in early 2020 showed that MFP payments totally offset the incidence of tariff retaliation on the economies of several Midwestern states, resulting in a \$523 million net gain for Nebraska alone.⁷⁵

However, this finding is an aggregate gain and does not reflect disparate impacts on individual producers in agriculture or in other sectors of the economy. Nor does it account for uneven distributional effects on consumers because everyone bears higher prices but compensatory payments were aimed at agricultural producers only. It also does not account for potential lost future market share as a result of shifting supply chains. This finding is consistent with what the research team heard from interviewees in receipt of MFP payments: while they would rather receive such payments than nothing at all, they also contested that these payments made up for their losses. As one great northern bean farmer in the Scottsbluff/Gering area put it, the MFP was “not worth a hill of beans” because it compensated farmers for some lost revenue, but it did not account for their lost market share down the road.⁷⁶ This fear of lost market share—to countries like Brazil and Argentina in the soybean market, for example—loomed large for those interviewed.

The MFP was “not worth a hill of beans” because it compensated farmers for some lost revenue, but it did not account for their lost market share down the road.

The Importance of Farm Subsidies to Global Trade

Unlike in the case of the MFP, which they would prefer not to have to take, the farmers interviewed clearly said that producers of particular products, such as sugar, could not compete on the world stage absent the \$687 million per year statewide that they received in farm subsidies in 2018. These subsidies constitute about 20 percent of net cash incomes.⁷⁷ At the same time, farmers interviewed expressed a desire to let the market work out fair pricing in a free trade environment with increased exports. While such subsidies may seem inconsistent with the free market principles they espouse, some in the agricultural industry stress that they are a necessary part of the equation for U.S. farmers, given the extent to which all other nations heavily subsidize their agricultural sectors. For example, one interviewee stated, “I’m a big believer in free trade up to a point, but I also feel that you have to level that playing field.” He therefore understood the need for subsidies in various instances. “So, free trade? Yes, but with a limit, [I’m] not just a blanket free trade guy.”⁷⁸

Others expressed similar views, though some did so with reservations. For example, a focus group participant in Omaha worried about the overreliance on subsidies in certain sectors, which could put the situation “so far out of whack . . . that . . . we no longer create a product that’s competitive on the global market.”⁷⁹ An interviewee in Lincoln recounted that her father was a farmer who often said, “I think that all subsidies need to go away, but I will be the first in line to get mine because they’re there.”⁸⁰ According to USDA data, in 2010, farmers in Nebraska received just over \$509 million in direct government payments and earned a net cash income of \$4.5 billion. In 2010, government payments were 11 percent of net cash income. By 2018, direct government payments rose to \$687 million, or 20 percent of net cash income.⁸¹

Interests of Agricultural- and Nonagricultural-Related Sectors Aligned on Trade Policy

The main reason most of those interviewed stressed that they supported any trade policy that works for the agricultural production complex is because it accounts for so much of the state’s trading activity overall. According to official statistics, manufacturing accounts for a significant portion of Nebraska’s trade. Manufacturing may therefore appear to be distinct from agriculture, but food and kindred products are the top manufacturing exports. Chemicals that are exported are often agricultural chemicals, and machinery that is exported includes agricultural machinery.⁸²

That said, Nebraska also undertakes important nonagricultural-related trading activity. For example, among Nebraska’s top ten exported goods are mineral fuels/oils (such as natural gas) and pharmaceutical products (such as syringes). That said, 60 percent of the state’s exports are agricultural products and even more are ag-related.⁸³ Services exports, such as equipment installation and

industrial engineering services, are a strong growth area for Nebraska; such exports from the state doubled between 2006 and 2016 from \$1.1 billion to \$2.2 billion, according to the Coalition of Services Industries.⁸⁴ Service exports account for 3.4 percent of the state's GDP as of 2017, according to recent calculations by scholars at the Brookings Institution.⁸⁵ That growth puts Nebraska ahead of most U.S. states and only narrowly trailing Colorado (see Figure 3).

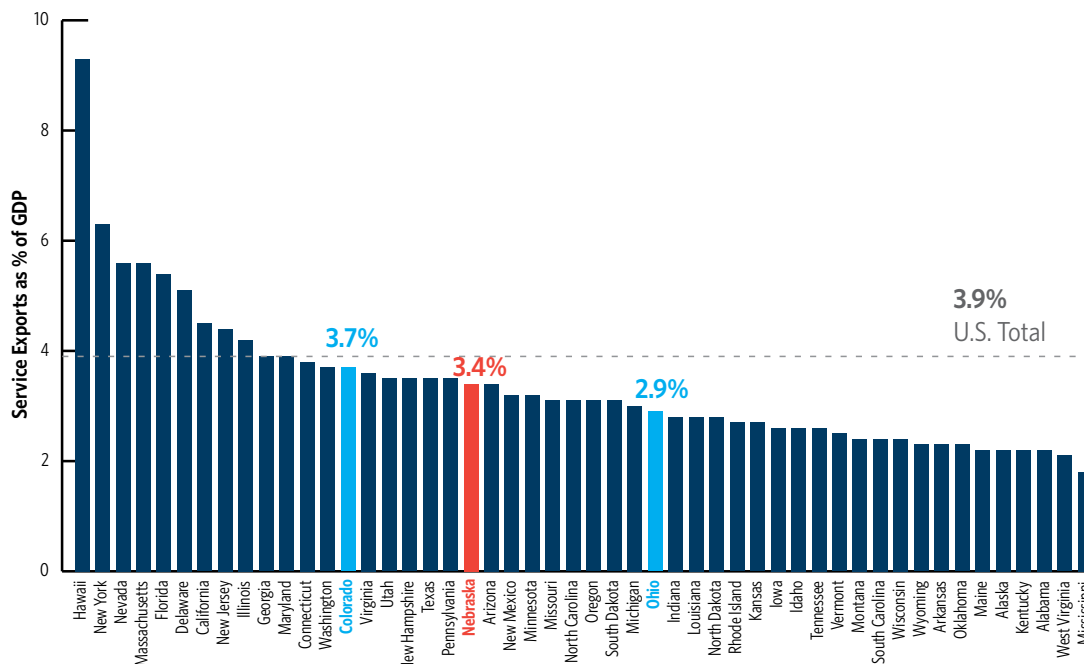
As in the case of agricultural producers, U.S. service exporters likewise enjoy a competitive advantage in global trade. As such, there is considerable alignment of interests across the range of agricultural- and nonagricultural-related sectors when it comes to trade policy.

Trade-Related Job Losses

Nebraska's workers have, however, sometimes found themselves on the losing end of trade. Over 10,000 Nebraskans have been awarded trade adjustment assistance (TAA) in the past two decades as compensation for trade-related job losses.⁸⁶ More recently, trade-related job losses have hit production facilities in auto parts, pharmaceuticals, construction materials, and textiles, in both rural and urban counties.

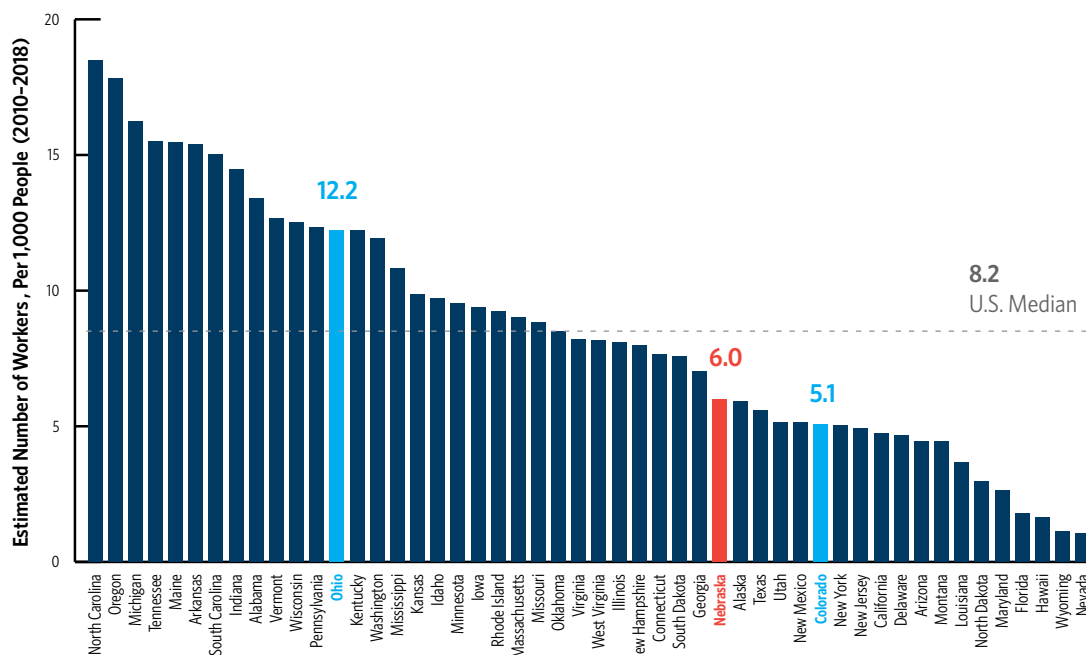
FIGURE 3

Nebraska Has a Substantial Service Exports Market



SOURCE: Nick Marchio and Joseph Parilla, "Export Monitor 2018," Brookings Institution, April 30, 2018.

FIGURE 4

Comparatively Few Nebraskans Have Been Certified for TAA Benefits

SOURCE: Salman Ahmed and Allison Gelman, et al., “U.S. Foreign Policy for the Middle Class: Perspectives From Colorado,” Carnegie Endowment for International Peace, November 5, 2019, <https://carnegieendowment.org/2019/11/05/u.s.-foreign-policy-for-middle-class-perspectives-from-colorado-pub-80112>.

That said, the percentage of Nebraska’s population that has experienced trade-related job losses has been considerably lower than in Ohio and other industrial Midwestern states, as depicted in Figure 4. An interviewee in Kearney, for example, expressed surprise when hearing that someone at a local plant was worrying about jobs going to Mexico because “it doesn’t seem like you hear that very often.”⁸⁷

A Desire for Evolutionary Not Revolutionary Changes in Trade Policy

The bottom line is that the Nebraskans interviewed are largely united in their views when it comes to trade policies. They evaluate trade policies, first and foremost, from the perspective of their impact on the agricultural production complex, which accounts for tens of thousands of middle-income jobs. U.S. trade policies have indeed been good for the state’s agricultural production complex, creating and sustaining far more jobs than they have eliminated. And even where there have been trade-related job losses, the state’s low rates of unemployment

and high labor force participation rates, as discussed in the next chapter, mean that Nebraskans are better prepared to absorb the blow in comparison to Ohioans in manufacturing towns.

Those interviewed across Nebraska saw the need for U.S. trade policies to evolve with the times and in light of lessons learned. They supported updating NAFTA. They welcomed a tougher negotiating stance with China. They looked forward to the United States forging new trade agreements with other nations across Asia.

However, they remain deeply anxious about revolutionary changes that portend a fundamental shift in direction. The state's agricultural production complex cannot afford for the United States to jeopardize trade relations with Canada and Mexico or to close off access to China's markets for agricultural products. As such, the recent ratification of the USMCA (given risks that the Trump administration might have withdrawn from NAFTA if the USMCA were not approved) and the conclusion of the phase one trade deal with China have been met with considerable relief.

In general, this is what Carnegie's task force members expected to hear. The surprise was the extent to which so many across the state felt the same way, even when they worked in nontradable sectors, such as healthcare as well as primary and secondary education. The similarity in views on trade is a testament to the importance that Nebraskans attach to the agricultural production complex. It came as an even greater surprise that those interviewed mentioned the importance of immigration almost as often as trade. The reasons for that are detailed in the next chapter.

IMMIGRATION AND REFUGEES

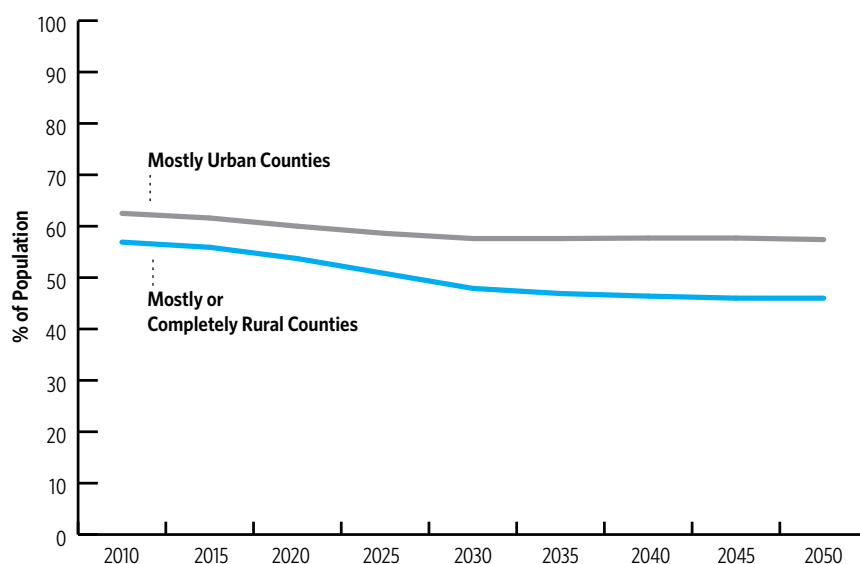
After trade, those interviewed across the political spectrum most frequently cited immigration as the foreign policy issue that mattered most to Nebraska's economy and middle class. That is not surprising in a state that faces chronic workforce shortages, or as Nebraskans commonly put it, a state that has "more jobs than people." As such, they sounded a common refrain: the United States needs to adopt a streamlined, pragmatic approach to bringing in more foreigners willing to work the jobs that Nebraskans cannot fill, do not want, or cannot perform. While Ohioans and Coloradans discussed immigration in similar terms, they did not bring it up nearly as frequently or as forcefully as Nebraskans did.

Population loss in rural Nebraska makes the area more dependent on international in-migration to offset workforce shortages and population shrinkage in rural counties. Those interviewed also expressed pride that Lincoln and Omaha hosted high rates of refugees per capita relative to most other U.S. metropolitan areas. That said, they made a distinction between legal and illegal immigration and voiced opposition to the concept of open borders. They also talked openly about some of the cultural challenges that invariably arise as the immigrant and refugee populations in rural counties grow.

Nebraska's Workforce Shortage

Unemployment rates have declined substantially across seventy-nine of Nebraska's ninety-three counties during the last five years.⁸⁸ Currently, the state has a relatively low unemployment rate at 3.1 percent, compared with 3.6 percent nationally. While this is not significantly lower than the rates of many growing U.S. states, many Nebraskans have worried more about the shrinking labor force in their state due to population decline.⁸⁹ The trend is particularly strong in rural parts of Nebraska, where the shrinking population is driving down the workforce. Population growth is largely concentrated around the urban centers of Lincoln, Omaha, and the tri-cities (Grand Island, Hastings, and Kearney). Meanwhile, sixty-three of the state's eighty nonmetropolitan counties have suffered population decline since 2010, some by over 10 percent.⁹⁰ The working-age population decline in rural areas is projected to be significantly steeper, exacerbating the concerns about workforce shortages in those areas (see Figure 5).

FIGURE 5

Rural Areas Struggle More With a Shrinking Working-Age Population (16–64)

SOURCE: Nebraska Department of Labor, "Nebraska Workforce Trends," August 2019, <https://www.dol.nebraska.gov/webdocs/Resources/Trends/August%202019/Trends%20August%202019.pdf>.

NOTE: "Mostly or Completely Rural Counties" are counties that are 50–100 percent rural according to the U.S. Census Bureau definition established in 2010; see Michael Ratcliffe, et al., "Defining Rural at the U.S. Census Bureau," United States Census Bureau, December 8, 2016, <https://www.census.gov/library/publications/2016/acs/acsgeo-1.html>. "Mostly Urban Counties" are counties that are less than 50 percent rural.

Workforce Shortages in Rural Communities

Nebraskans confirmed prevailing assumptions that rural, agricultural-based communities were concerned about chronic workforce shortages that have made it all the harder for them to recruit seasonal workers during harvest time on the farms. Rural interviewees noted that they also have lost potential businesses because they have not had available workforce to fill open jobs. For example, the mayor of Columbus stated, "So, workforce is a very, very big item because you've got to have them to get the plants off and running. We have lost a couple of expansions, too . . . a couple of local plants because . . . the companies . . . just didn't see the availability of the workforce."⁹¹

But the workforce shortages that plague Nebraska are more than just a lack of seasonal workers. There is an unmet need for year-round agricultural employees. One of those interviewed stated that "livestock are raised 365 [days a year]. . . . When it comes to pigs, every single day a baby is born, every single day a pig is harvested, and every single day a mom becomes pregnant. So that happens 365 . . . when it comes to livestock, there is no busy time of year or slow time of year. It's, I guess you could say, it's always busy."⁹²

Workforce shortages persist across other parts of the agricultural production complex, such as food processing. For example, Cargill, the biggest supplier of ground beef in the country, employs over 400 Nebraskans at its protein plant in Columbus. In a city of only 23,000 people, it is one of the major manufacturers in the area. Cargill reports that it could employ hundreds more Nebraskans if it could fill more jobs that continually remain vacant at its facilities. Cargill and other industry leaders claim that, even after boosting wages and worker benefits, they still lack the workforce required to boost production and meet growing global demand.⁹³

The hospitality and retail industries also struggle to retain employees. A representative from the North Platte tourism office explained that employees will jump from hotel to hotel, in search of better wages or benefits.⁹⁴ The owner of a retail store in Lincoln regularly competes with the manufacturing companies in town for entry-level employees. The store has had to offer higher wages to try to fill its positions.⁹⁵

The fact that businesses are having to raise wages to attract workers in a very tight labor market is a welcome development for those who pursue wage and salary employment. But grocers and farmers who themselves are in the middle-income bracket point out that they are operating with dwindling margins and limited room to absorb much higher labor costs. In any event, they do not believe that wages alone are the main issue. Instead, they contend that native-born Americans, particularly millennials, no longer want to perform many of these jobs, even if they were paid more, preferring to migrate to the cities instead. And considerably higher-paying jobs continue to go unfilled, too. For example, those in the agricultural production complex complained about the lack of refrigeration specialists, a well-paying occupation. Others mentioned the lack of plumbers, electricians, and other trades specialists, who can earn enough from a single job to sustain a household in a comfortable middle-class lifestyle.

Those interviewed in more rural communities were especially worried about the shortage of healthcare professionals, who could earn middle-to-upper income salaries. For example, an interviewee from North Platte confirmed that the hospital needed nurses: “The education system has been a little slow to meet workforce demand. I mean, really, you look at the national turnover rate, and I think we need over like fifty [nurses] a year just with us and then we’re the only nursing program in the region . . . and you know, we probably need to be closer to one hundred a year in this region if you look at national trends to meet the demand . . . [but] we’re going to be at forty by 2020 and there’s just not a lot of gusto or ambition to meet that need.”⁹⁶ Interviewees assessed that a shortfall in qualified nurses had contributed to the recent closure of several nursing homes across rural Nebraska. They also expressed fears about a looming drop in the quality of care for an aging population, if the ratio of patients per nurse at the homes continued to climb.

Those interviewed in more rural communities were especially worried about the shortage of healthcare professionals, who could earn middle-to-upper income salaries.

Another focus group participant in North Platte, an area experiencing population decline, insisted that the problem went far beyond getting workers to fill jobs. He relayed a much deeper and commonly expressed fear: “I don’t want us to be a ghost town.”⁹⁷ He worried that a precipitous decline in the number of families with school-age children would steadily lead to the closure of schools. In time, “you don’t have enough kids . . . your schools close down and there’s more consolidations,” he forecasted.⁹⁸

Across all these areas, Nebraskans pointed to immigration as the solution.

Immigration and Refugee Resettlement to Address Workforce Shortages

While Nebraska has been contending with shrinking rural populations and workforce shortages for some time, those interviewed were feeling more anxious about their ability to address the challenge in light of recent restrictions on immigration. Like Nebraska, Colorado has been importing foreign labor to fill lower-paying jobs in the agricultural and hospitality industries. But Colorado is also benefiting from a major influx of educated labor from other U.S. states.⁹⁹ Nebraska, in contrast, has experienced a net outflow of population to other U.S. states. As such, Nebraska’s dependence on international in-migration is far greater than Colorado’s (see Table 4).

The foreign-born share of Nebraska’s population nearly doubled between 2000 and 2017 from 4.3 to 7.8 percent.¹⁰⁰ Approximately 65 percent of the foreign-born population reside in the major urban areas of Douglas and Sarpy Counties (in the Omaha metropolitan area) and Lancaster County (in the Lincoln metropolitan area), whereas the rest reside in smaller communities throughout the state (see Table 5).¹⁰¹

Immigration helps fill current workforce demands throughout Nebraska by way of migrant worker, guest worker, extended worker, and immigration policies. In 2015, the American Immigration Council’s analysis of U.S. census data

TABLE 4

Nebraska’s Population Growth Relies on International Rather Than Domestic Migration

Percent population change by source July 1, 2010 to July 1, 2018

	Total (%)	Natural Increase (%)	International Migration (%)	Domestic Migration (%)
Nebraska	5.63	4.69	1.85	-0.87
Colorado	13.20	5.04	1.68	6.37
Ohio	1.32	1.66	1.47	-1.77

SOURCE: Bureau of Census, Population, “Population Change and Estimated Components of Population Change: April 1, 2010 to July 1, 2018,” <https://www.census.gov/programs-surveys/popest/data/tables.2018.html>.

TABLE 5

Nebraska's Immigrant Population, Top Ten Counties

County	Foreign-Born Population, Estimated 2013–2017
Douglas	51,700
Lancaster	23,800
Sarpy	9,200
Hall	8,500
Dakota	4,900
Dawson	4,400
Colfax	3,000
Platte	2,900
Madison	2,600
Dodge	2,400

SOURCE: U.S. Census Bureau, “2013–2017 American Community Survey 5-Year Estimates: Place of Birth by Nativity and Citizenship Status,” <https://factfinder.census.gov/>.

estimated that immigrants comprised nearly 8 percent (80,474) of Nebraska’s workforce.¹⁰² Between 2009 and 2017, the diversity index (the likelihood that two people chosen at random will be of a different race or ethnicity) increased in eighty-three of Nebraska’s ninety-three counties.¹⁰³

Many farm owners in Nebraska bring in visa workers for harvest. Construction companies also look to bring in temporary workers for construction season.¹⁰⁴ In Scottsbluff, Hispanic families immigrated to the area to work in the sugar beet factories and then stayed. The town’s population is now over 30 percent Hispanic.¹⁰⁵ A focus group participant in Lincoln conjectured that, in Scottsbluff, there were “fifth-generation Hispanics who have been there since the 1880s . . . they were working on the sugar beets or on the railroads.”¹⁰⁶ He therefore believed that “in some ways, some of rural Nebraska is more diverse than Lincoln and Omaha were because of the railroads and agriculture.”¹⁰⁷

Overall, as of 2015, the majority of immigrant workers were employed in the manufacturing sector (17,898), followed by construction (9,930), healthcare and social assistance (7,953), and accommodation and food services (7,749).¹⁰⁸ In the healthcare industry, the hospital in North Platte, for example, has about fifty nurses from South Korea, fifty nurses from the Caribbean, and many other professional staff from the Philippines. The hospital focuses on assimilating foreign staff into the community to encourage them to make it their home and stay. Foreign staff are important in terms of stabilizing the nursing program in the hospital, which is expected to help fulfill nursing demands and benefit physicians’ services.¹⁰⁹

Shrinking rural towns as a whole look to immigrants to revitalize their communities more generally. Residents viewed immigrant families as the path back to population growth and, thus, the way to maintain or regrow their businesses and schools. As a Lincoln businesswoman and longtime resident explained, “Some of these communities would have been dead and ghost towns long ago, if it weren’t

Residents viewed immigrant families as the path back to population growth and, thus, the way to maintain or regrow their businesses and schools.

for the influx of immigrants helping to provide for them. And I feel really lucky [be]cause, I've traveled all around the state and I see places like Lexington and you go downtown and you see the Sudanese stores, and Latino stores in

the downtown, and that's about it. There is not much else going on in these [communities], if it weren't for the wave of immigrants that have come to our state."¹¹⁰ In the county where Lincoln is located, Lancaster, the diversity index increased from 24.4 to 31.8 between 2009 and 2017.¹¹¹

Many of those mentioning immigration as key to addressing workforce shortages often added refugee resettlement to the mix. The Lincoln business owner recalled, "We have been talking about a workforce shortage for many, many years. We're just not repopulating our state like we should and need to. Thank goodness that we have been a refugee relocation hub for more than forty years, and we have seen wave after wave of folks come through. I grew up in Lincoln, and I remember as a little kid I had a lot of Cubans in my class. And that was back in the [19]60s. And Vietnamese and the latest batch that we see in our [retail] store is Iraqi Yazidis, Afghans . . . Syrians to a lesser extent. That is something that we are very proud of in our community."¹¹²

Nebraskans have described the recent history of refugee resettlement in their state as waves of new populations, from Vietnam, Iraq, ex-Yugoslavian countries, South Sudan, Sudan, and Thailand (a more complete picture of the history of refugee resettlement in Nebraska is detailed in Box 2).¹¹³ The data also back up Nebraskans' perceptions that they host an unusually high rate of refugees per capita. Nebraska resettled more than three times the number of refugees per capita than the nation did as a whole in 2016 (see Table 6).

Representatives of voluntary organizations and focus group participants in Lincoln expressed with pride that Nebraska is among the states with the highest rates of refugees per capita.¹¹⁴ In fact, Nebraska had the nation's highest per capita refugee resettlement rate in the fiscal year 2016.¹¹⁵ From January 2010 to January 2019, the state resettled 8,425 refugees. Over that time span, the top countries of origin for Nebraska-based refugees were Burma/Myanmar (3,755), Bhutan (1,610), and Iraq (1,323).¹¹⁶

TABLE 6

Refugee Resettlement Is Comparatively High in Nebraska

	Refugee Resettlement (2016)	Population (July 1, 2016)	Refugees Settled Per 100,000 Persons
Nebraska	1,782	1,905,616	94
United States	96,874	322,941,311	30

SOURCES: For refugee counts, see Refugee Processing Center, WRAPS Database, <https://ireports.wrapsnet.org/>. For population counts, see U.S. Census Bureau, Population Estimates, <https://www.census.gov/programs-surveys/popest.html>.

The History of Refugee Resettlement in Nebraska

A focus group participant in Lincoln with a great deal of experience in refugee resettlement in Nebraska described his recollection of the state's recent history:

"The refugees came basically in five different waves . . . in the eighties and nineties, we had the Vietnamese . . . who knows . . . 8,000 to 10,000 Vietnamese in the metropolitan area and you drive up down 27th Street, you can see the effect of those [refugees on the] markets and restaurants.

The next large group was the first wave of Iraqis that came after the first [president] George H.W. Bush war in Kuwait. And so a lot of Shiite Muslims from southern Iraq, who were encouraged by the CIA [Central Intelligence Agency] to revolt against Saddam Hussein and then we pulled the rug out from under them and so they spent time in refugee camps in Saudi Arabia and then came to the United States. So we had a lot of Iraqis, and now there are three mosques in Lincoln.

[The] next large wave was the ex-Yugoslavian countries: Bosnians, Serbs, Croats, Montenegrins, Albanians—people caught up in the civil war in ex-Yugoslavia. That population has actually declined now as things have settled down in that part of the world. Many of them have gone back or are in the process of going back.

Then we have the Sudanese, they were mainly southern Sudanese . . . and then later, a lot of Darfurians. At one time, the Omaha-Lincoln area had the third-largest Sudanese population in the United States behind Houston and Nashville and so we still have significant numbers of Sudanese. Omaha had the largest number of Sudanese vote in [the referendum on] South Sudan's [independence]. . . . Many of them went back to the South Sudan, but then they got caught up in the civil war and who knows what's become of them after that.

Then we got large numbers of Kachin from the refugee camps in Thailand. They're an ethnic minority from Myanmar, who had been living in refugee camps for decades. [Then secretary of state] Condoleezza Rice actually made an agreement with the United Nations to empty out those refugee camps and so the Nebraska resettlement agencies had large numbers of Kachin in both Omaha and Lincoln.

Another unique thing about Lincoln is we have the largest population of Yazidi refugees in North America. So there are approximately somewhere between 3,000 and 4,000 Yazidis. About 60 percent were first resettled in Lincoln by refugee resettlement agencies, the other 40 percent are secondary refugees."

(Focus group conducted by S. Ahmed, J. O'Donnell, D. Rosenbaum, and J. Walther, Lincoln, July 9, 2019.)

Prior to resettling the waves of refugees from Burma/Myanmar, Bhutan, and Iraq in the last decade, Nebraska settled refugees from many other parts of the world. For example, Omaha now hosts possibly the largest number (an estimated 10,000 or more) of South Sudanese (Nuer) in a single community in the country.¹¹⁷ In the 1980s, approximately 5,500 refugees from Vietnam settled in Nebraska, primarily in Lincoln.¹¹⁸ These figures do not even include secondary refugees who migrate from other locations in the United States to Nebraska—often because of its low cost of living and job opportunities—in addition to family ties. A focus group participant from Lincoln mentioned that, when taking into account secondary resettlement, Lincoln is home to 3,000 to 4,000 Yazidi refugees, which is the most in the nation.¹¹⁹

Several interviewees believed that one of the most important aspects of U.S. foreign policy for Nebraska pertained to refugee resettlement. They expressed deep concerns about the precipitous drop in refugees being admitted to the United States since the Trump administration took office. The Refugee Processing Center, for example, reports that 84,994 refugees were admitted to the United States during fiscal year 2016 versus 30,000 during fiscal year 2019.¹²⁰

The Call for Immigration Reform

"I . . . think the immigration policies that we have are hurtful. . . . We don't have enough bodies yet. We turn people away at the borders who would be willing to come to Columbus, Nebraska, and you know, I'm all for [it], I'm not for just opening the gates or opening the border, you know, but certainly bringing in folks that have got the potential to be educated, to assimilate into the culture and become productive citizens. That's a growth strategy for Nebraska, for Columbus, Nebraska, not what we're doing right now." – Interviewee, Columbus¹²¹

Given the high demand to import foreign labor in both rural and urban areas, Nebraskans consistently called for immigration reform. Many felt that the current immigration debates did not address the heart of the issue: find a way to get people who want to work into the jobs that need them. For example, one focus group participant asked, "How about we go fix the real problem, which is we've got a lot of people in foreign countries who want to be here, who will work harder than anybody in this country, and will fill the voids that we have in manufacturing, the service industry, and professional industries if we would just allow it to happen."¹²²

The real problem they referred to is the difficult path to obtaining a visa and/or U.S. citizenship. Statewide, almost 3 percent of the population in Nebraska is foreign-born noncitizens from Latin America as of 2017. In Hall County, the figure is over 9 percent. In Platte County, home to the city of Columbus, the figure is 5.4 percent.¹²³ No one refuted the need to do background checks and ensure

security, but they felt the current process was more of a hindrance than necessary. For example, North Platte residents complained that the red tape hurts small producers, who cannot afford attorneys to “go through all the hoops” and “paperwork” necessary to get visa workers.¹²⁴

That said, Nebraskans made a clear distinction between legal and illegal immigration. They did not call for open borders; they insisted on a fair process. From their perspective, a fair process involves increasing legal migration while preventing an influx of unneeded or unscreened people. It is unclear how many undocumented migrants are in Nebraska, though the Pew Research Center estimated there were about 60,000 in the state in 2016.¹²⁵ There was consistent support among interviewees and focus group participants for providing a pathway to citizenship for those who had been law-abiding contributors to communities for decades. This pathway might include individuals residing in Nebraska with Deferred Action for Childhood Arrivals (DACA) status. According to the United States Citizenship and Immigration Services, at the end of 2018, there were 5,991 DACA youth applications accepted from Nebraska.¹²⁶ A North Platte resident summed up well what many others conveyed about the importance of following a fair process:

“I have two individuals that work for me, personally, part-time . . . neither of them are residents of the United States, they’re both here on guest worker visas. Hardest working, nicest people I could ever ask for . . . just nothing better. I think there’s a real need for that. Those two individuals went through all of the procedures they needed to come up and get a guest worker visa, and they abide by the timeframes on it. I’ve written on their behalf to have that extended, and I think that’s extremely important, but I think it’s [also] extremely important that we do that right and that we not overburden our work system or our workforce, including those individuals that I’m speaking about with, you know, people, we’ll call them ‘undocumented workers.’”¹²⁷

From securing the border and sustaining refugee resettlement to increasing legal immigration and providing a pathway to citizenship for law-abiding contributors to the workforce and U.S. society, those interviewed from across the political spectrum appeared to be more or less on the same page. It therefore left many focus group participants to wonder, just as one expressed, “Why aren’t they [politicians in Washington, DC] doing immigration reform? Why are they just talking on the periphery of the issue?”¹²⁸

Current and Future Challenges Associated With Immigration

While there appeared to be uniform support among those interviewed for securing the border and increasing legal immigration, several of them sounded the

alarm about how the laws were being enforced. Others cautioned against rising anti-immigrant sentiments over the last few years and the cultural challenges that lay ahead.

Those in the trucking industry, for instance, were deeply worried that efforts to secure the border were creating costly delays in moving products between the United States and Mexico. One representative of a major trucking company estimated that “what used to take us forty-five minutes to two hours [now takes] six to eight hours. And that’s very costly to not only us as a transportation provider, but ultimately it’s going to cost every one of us as consumers because that price is going to get tacked on. We’re going to raise our price to our customers because we have downtime, detention time.”¹²⁹

Others raised deeper concerns about what was happening within U.S. borders. Focus group participants reported that recent raids by Immigration Customs and Enforcement officers at large production facilities in Nebraska had fueled resentment and mistrust in several communities and impacted school attendance among children of immigrant families. A teacher in Omaha expressed with dismay that “with the crackdown on illegal immigrants, I’ve had students not show up to school for the first three months because their parents got deported back even though they [the kids] were born here.”¹³⁰ This sense of fear and anxiety among immigrant communities was rippling across the state, he believed.

During a focus group discussion in Columbus, a longtime resident and representative of the Hispanic community made clear that she had always felt welcome in Nebraska and believed the state to be very inviting of immigrants. She was therefore distressed that, recently, someone had called her a racial slur.¹³¹ Other representatives of the Hispanic community echoed the feeling that something had changed in the last few years, especially since Trump took office and has taken to Twitter with what they regarded as anti-immigrant and divisive rhetoric. Upon hearing this, other (white) focus group participants expressed shock and regret that anyone would utter such racial slurs in their community, which they believed remained a very welcoming place for immigrants. Indeed, as the Columbus Public Schools superintendent stressed, “It’s a great advantage to the kids that go to our school, because they’re going with kids who speak . . . twelve or fifteen different dialects of Spanish, [other] kids who speak French, and . . . an influx of Muslim immigrants . . . and I think that sets our kids up for an advantage.”¹³²

In the event that Nebraska continues to rely on immigrants to offset its population decline in rural areas, then those rural counties will become increasingly diverse in their racial and ethnic makeup. For many of those interviewed, such diversity would be a source of strength. Yet others also said it would force some tough discussions about race, culture, and identity that were only just beginning to take place.

CHAPTER 5

DEFENSE

After trade and immigration, those interviewed mentioned defense spending as the aspect of U.S. foreign policy that mattered most to them. But they tended to express strong support for sustaining defense spending out of a sense of patriotism and a deep belief in the importance of a strong national defense. They did not associate defense spending with economic benefits for the middle class as much as Coloradans or Ohioans did.

The data show how defense spending directly benefits Coloradans far more than Nebraskans. And within Nebraska, it is heavily concentrated in the greater Omaha and Lincoln areas. These metropolitan areas have prospering, diversified economies that are less dependent on defense spending than Dayton, Ohio, for example, whose regional economy is anchored by the Wright-Patterson Air Force Base. Under the circumstances, Nebraskans understandably expressed various views about the economic implications for the middle class of cutting or increasing defense spending.

Offutt Air Force Base

Lieutenant Jarvis Offutt was Omaha's first air casualty in World War I. Offutt Field, approximately 10 miles from downtown Omaha, was named in his honor. In the lead up to and during World War II, it came to host military airfields and a bomber plant. The plant produced the B-29 bombers—the *Enola Gay* and *Bockscar*—that dropped the atomic bombs on the Japanese cities of Hiroshima and Nagasaki. Shortly after the war, Offutt Field became host to Offutt Air Force Base and the headquarters of the Strategic Air Command (SAC).¹³³ Over the course of the Cold War, SAC was responsible for the deployment and maintenance of nuclear-armed bombers and intercontinental ballistic missiles. It also was responsible for the flight operations of the Looking Glass, the airborne 24/7 command-and-control center for responding to a nuclear attack on U.S. soil.¹³⁴

Offutt benefited from a spike in defense spending in the 1980s, enabling it to upgrade its facilities, including for the 55th Air Wing, now the second-largest air wing in the U.S. Air Force. The 55th Air Wing's mission includes undertaking intelligence, surveillance, and reconnaissance activities and command-and-control activities to ensure that the United States maintains global information and electronic warfare dominance.¹³⁵ After the September 11, 2001, attacks on the United States, then president George W. Bush flew to Offutt to operate out of the U.S. Strategic Air Command headquarters.¹³⁶

This history is important because it explains why so many Nebraskans, especially those who came of age during the Cold War, strongly support the presence of Offutt Air Force Base in their state regardless of its economic impact in Nebraska. The substantive role the base played in the nation's defense was of paramount importance to them. Meanwhile, they assumed the economic benefits were largely confined to Sarpy County where the base and over 9,000 of the state's total 16,634 defense personnel are located.¹³⁷

Economic Impact and Geographic Distribution of Defense Spending

The assumptions interviewees made about the economic impacts of defense spending across their state were accurate but perhaps understated. Defense spending does not have as significant an economic impact in Nebraska as it does in Colorado and the United States as a whole (see Table 7).

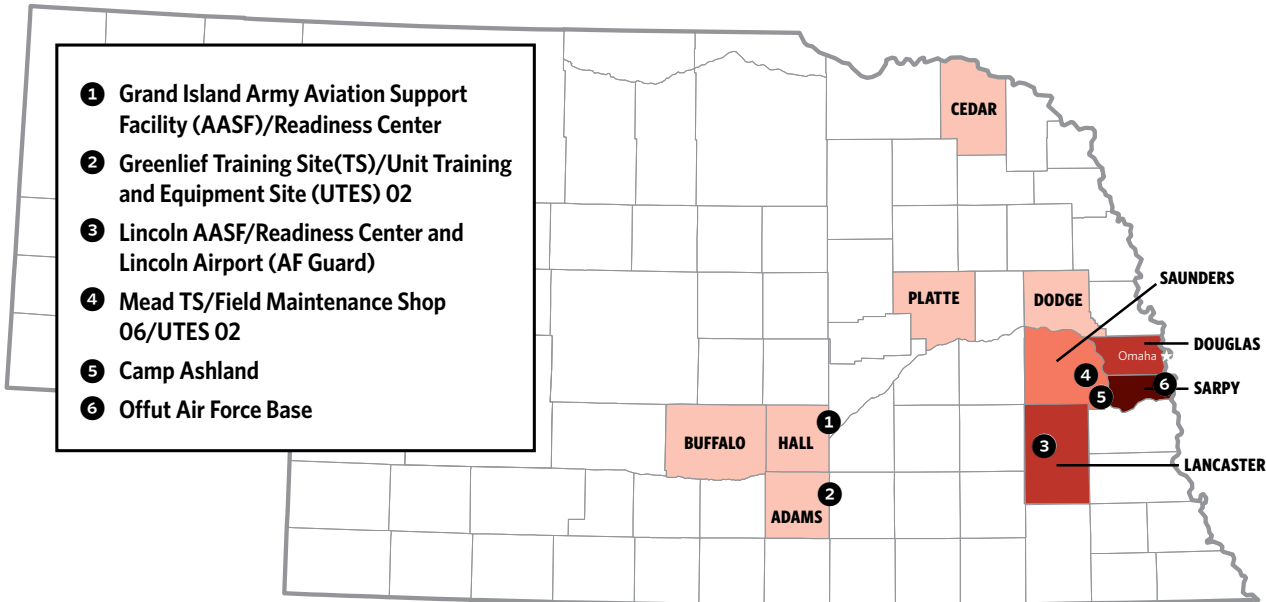
Moreover, most counties in Nebraska do not feel the direct effects of defense spending, since so much of it is concentrated around the greater Omaha area and to a lesser extent the greater Lincoln area (see Figure 6).

Undoubtedly, Sarpy County, with a population of over 184,000 (almost 10 percent of Nebraska's total population), and the greater Omaha area would be significantly affected by a downturn in spending at and related to Offutt Air Force Base.¹³⁸ As of 2018, defense personnel account for over 7 percent of Sarpy County's working-age population.¹³⁹ The knock-on effects for other industries in the area would be substantial were this number to drop precipitously. An Omaha-area resident who works in business development assessed that a significant downsizing or closure of Offutt (not currently in the cards) would be "catastrophic" for the immediate areas surrounding the base, as they would see demand for services dry up, businesses shutter, land valuation drop, and revenues from property taxes tank. It would "certainly crush Douglas and Sarpy Counties [and] by extension, Pottawatomie County [in Iowa]," he added.¹⁴⁰ Still, the wider Omaha metropolitan area, which includes Douglas and Sarpy Counties, would be far better positioned to absorb the shock than more rural defense locations, given the size and diversification of its economy.

Most other counties across Nebraska would be less affected by changes at Offutt Air Force Base than they would be by major increases or decreases in the strength of the Nebraska National Guard and Air National Guard. These forces now comprise over 4,000 personnel in total, which are dispersed across the state. However, even with the guard units, the largest numbers are concentrated near the main population centers of Lincoln, Omaha, and the tri-cities (Grand Island, Hastings, and Kearney). Military veterans are likewise located across the state, though their numbers are greatest near Offutt.¹⁴¹

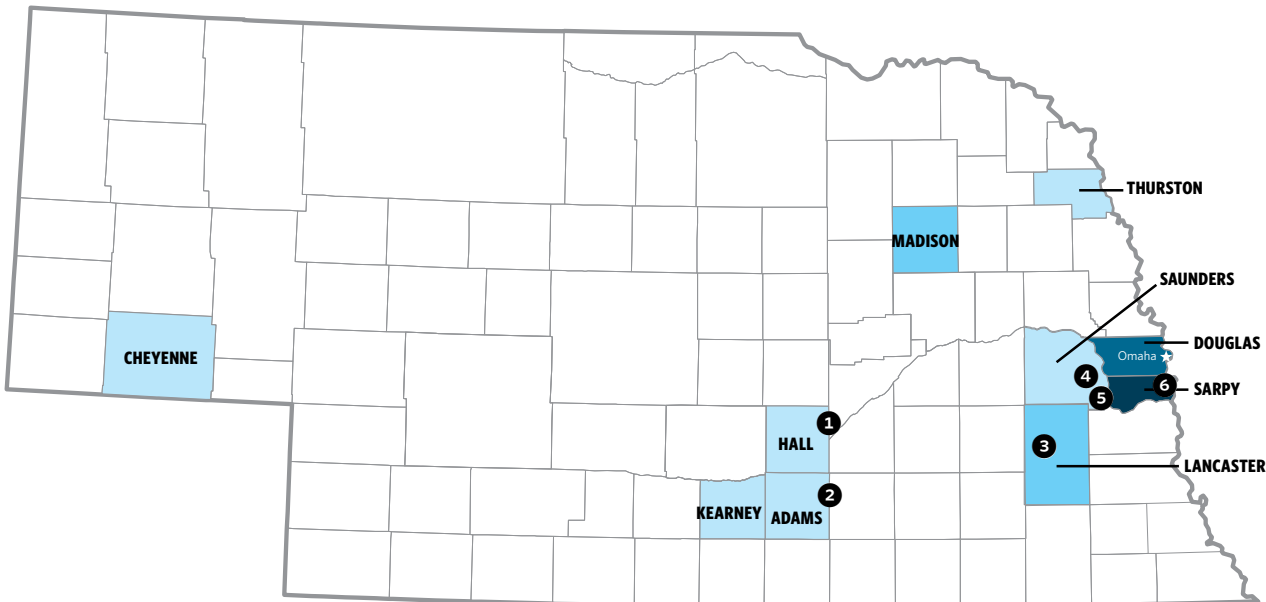
FIGURE 6

Few Counties Are Directly Affected by Defense Spending in Nebraska



Defense Personnel Spending by County, Top Ten Counties in Nebraska

Up to \$10 M \$10 M to \$25 M \$26 M to \$50 M \$51 M to \$100 M Greater than \$100 M



Defense Contract Spending by County, Top Ten Counties in Nebraska

Up to \$10 M \$10 M to \$25 M \$26 M to \$50 M \$51 M to \$100 M Greater than \$100 M

SOURCE: Office of Economic Adjustment, "Defense Spending by State: Fiscal Year 2018," February 2020, https://www.oea.gov/sites/default/files/defense-spending-rpts/FY2018-Defense-Spending-by-State-Report_0_0.pdf.

TABLE 7

Defense Spending Is a Smaller Part of Nebraska's Overall Economy

	Nebraska	Colorado	Ohio	U.S.
Total Spending on Defense Personnel and Contracts (\$, billions), 2017	\$1.50	\$9.80	\$9.60	\$500.00
Personnel	\$0.90	\$3.50	\$3.20	\$141.20
Contracts	\$0.60	\$6.30	\$6.40	\$358.90
Total Spend as a % of GDP	1.2%	2.6%	1.4%	2.4%
Total Spend per Resident	\$790	\$1,719	\$819	\$1,528

SOURCE: Office of Economic Adjustment, "Defense Spending by State: Fiscal Year 2018," February 2020, https://www.oea.gov/sites/default/files/defense-spending-rpts/FY2018-Defense-Spending-by-State-Report_0_0.pdf.

Contending Views About What to Do About Defense Spending

Given that the direct economic effects of defense spending are not widespread across the state, most Nebraskans experience the impacts of defense spending on the middle class in more indirect ways, from how it conforms with their values and worldviews to the opportunity costs it entails.

The interviewees' predominant view was to sustain whatever levels of defense spending were required to keep the nation safe, prevent global instability, and deter a major war. A focus group participant in Scottsbluff/Gering captured this sentiment well: "I don't think we have any choice but to have a strong military. . . . I'm a veteran, and I had some familiarity with how the service works or it doesn't work. . . . It's important that the rest of the world know that we have the capability [of] defending ourselves if need be. Now, there's been some craziness in that spending and in [what determines] an effective military strategy and military defense capability. But it's certainly part, in today's world, of . . . what you have to have."¹⁴² He added that the North Atlantic Treaty Organization had been an important part of the strategy of deterring major conflicts and had "kep[t] Europe . . . in a stable status for, well since the end of the Second World War."¹⁴³

Generally speaking, no one appeared to argue against the need for a strong defense. The point of debate was how to achieve that objective in a way that still freed up more resources for investments in America's middle class. One focus group participant in Scottsbluff/Gering suggested that "we can still bolster our defense and not have so many servicemen abroad. Keep those dollars local, within the United States' borders at least."¹⁴⁴ A retiree in Lincoln called for halting spending on the production of tanks and missiles that were being used, in his view, to prop up "dictators" and "repressive forces." A school teacher in

Omaha opined that, with the hundreds of billions already being spent on defense, it should be possible to reduce the total amount by “maybe 30 [billion]” or “take . . . 5 percent off, [and] put that [into] education.”¹⁴⁵

Another focus group participant in Omaha argued that savings should be achievable through eliminating wasteful defense spending. He conjectured that defense contracts were overcharging U.S. taxpayers, “spending \$10,000 for a coffee maker . . . or 50 bucks for like a nail or whatever.”¹⁴⁶ Others more familiar with the details took issue with these specific examples, though they concurred with the broader point about the need to be judicious about how the United States spent its defense dollars.

There appeared to be a consensus that the greatest requirement for judiciousness was in determining where and when the United States militarily intervened in other countries, especially given that such interventions, in addition to the losses of life, could cost hundreds of billions or trillions of dollars that might otherwise be invested at home. A focus group participant in Scottsbluff/Gering stated, “Our current administration has done a good job of not getting us into anything new . . . it’s quite the feat, you know, when you consider the last twenty years of what we’ve gotten [ourselves] into . . . with politicians [on] both sides of the aisle. You know, to not have a new war is pretty substantial.”¹⁴⁷ Whether supportive or critical of the current administration, those interviewed appeared to concur on this key point: the bar should be very high for military intervention.

CHAPTER 6

CLIMATE CHANGE, ENERGY, AND TRANSPORTATION

Some self-declared liberals interviewed in Lincoln and Omaha argued that climate change posed an existential threat to the planet and that the United States should lead the world in transitioning to a low-carbon economy. These participants deeply regretted the Trump administration's decision to withdraw the United States from the Paris Agreement on climate change. But they were by far in the minority.

No one interviewed disputed the increasing frequency of extreme weather events or the economic devastation these events had wrought on the state's agricultural community. However, the majority of those interviewed did not regard climate change as a dire security threat and rarely mentioned it at all. If they spoke about the intersection of climate change with middle-class interests, it tended to be from the perspective of how regulatory measures could impact jobs related to ethanol production, farming, ranching, and the rail transport of coal.

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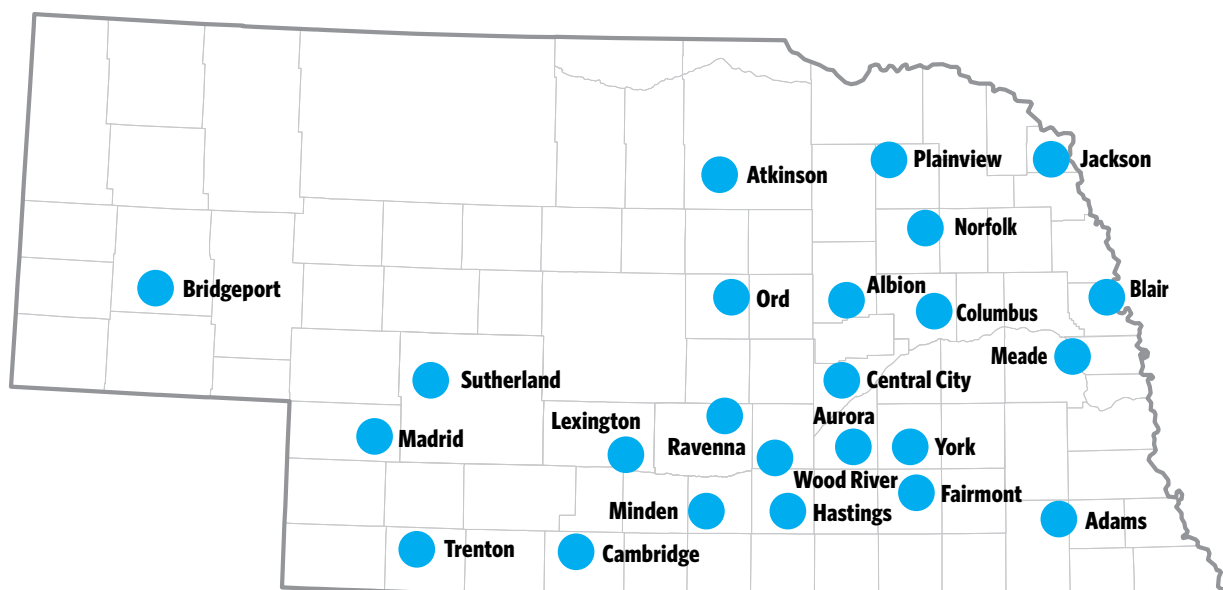
Ethanol

"I know that farmers for instance in our area . . . are huge supporters of ethanol, but I've read contradictory research on . . . whether it's a net benefit from an emission stand point. . . . Among Nebraskans, there are strong feelings about this, one way or another and like I said I'm agnostic . . . I don't know what truth is there." -Business leader in Lincoln¹⁴⁸

While few Nebraskans directly pointed to climate change as a foreign policy issue that affects them economically, some did mention how regulatory measures related to climate change may impact the ethanol industry, a growing part of the state's agricultural production complex. That, in turn, was how they saw the connection, albeit indirectly, between climate change and the economic interests of Nebraska's middle class.

Among the twenty-eight U.S. states with ethanol facilities, Nebraska is the nation's second-largest ethanol producer. (Iowa is the largest, with Illinois, Indiana, Minnesota, and South Dakota being the other top ethanol-producing states.) Nebraska produces 14 percent of total U.S. fuel ethanol.¹⁴⁹ The twenty-four ethanol plants operating across Nebraska, mapped in Figure 7, generated

FIGURE 7

Ethanol Production Is Dispersed Across Nebraska

SOURCE: Nebraska Ethanol Board, "Nebraska Ethanol Plants," updated December 4, 2019, <http://ethanol.nebraska.gov/wordpress/about/nebraska-ethanol-plants/>.

\$4-5 billion in economic impact and contributed directly and indirectly to over 5,000 jobs in 2017.¹⁵⁰

Ethanol plants also directly support Nebraska's agricultural production complex. Ranchers benefit from obtaining distillers grain, which is the low-cost, high-protein feed ingredient generated as a co-product from ethanol production. Ethanol also benefits farmers as it drives up demand, and therefore prices, for corn (its major input).¹⁵¹ Thus, increasing demand for ethanol is important for Nebraska's agricultural and energy sectors and translates to local jobs. As an agricultural/ethanol industry representative from central Nebraska asserted, "Ethanol is the best rural development tool, bar none, that we have ever seen, because you got plants in Hastings, you got plants in Lexington and Bridgeport. And it's a processing facility, value-added, that can be brought out to an agricultural community."¹⁵²

Demand for ethanol production rose dramatically in the United States following Congress's creation of the Renewable Fuel Standard Program (RFS) in 2005 and its expansion (known as RFS2) in 2007.¹⁵³ The program was established to diminish U.S. dependence on foreign oil and reduce greenhouse gas emissions. It mandates that a specific percentage of all transportation fuel include renewable fuels, such as corn-based ethanol, which contribute fewer emissions than the petroleum-based fuels that they replace.¹⁵⁴ Such mandates are cause for concern in parts of the country that are heavily dependent on oil and gas extraction, like

Weld County in Colorado.¹⁵⁵ But they provide an economic lifeline for other parts of the country, like Nebraska's corn-growing and ethanol-producing rural counties. As demand for ethanol has grown nationally, production has increased in Nebraska—by 262 percent between 2006 and 2017 (and by 20 percent between 2014 and 2017).¹⁵⁶

It remains unclear when and if there will be another upward spike in demand for ethanol. Most of the gasoline now sold in the United States contains some of the fuel. E10 (fuel that contains 10 percent ethanol) is in widespread use across the country, largely as a result of the requirements of the 1990 Clean Air Act and the RFS expansion in 2007.¹⁵⁷ Much attention is therefore now focused on current and future government mandates and incentives pertaining to E15 (fuel that contains 15 percent ethanol) and E85 (fuel that contains up to 85 percent ethanol), which are not yet widely used beyond the Midwest.

Future demand for the corn-based ethanol that Nebraska produces will be influenced by ongoing debates about its environmental performance: do the reductions in greenhouse gas emissions resulting from ethanol's use adequately offset the environmental costs, such as those associated with increased air pollution, reduced energy efficiency, and changes in land usage to produce more corn?¹⁵⁸ The Trump administration has backed recent research commissioned by the USDA that concluded that corn-based ethanol continues to exceed the threshold set by the Environmental Protection Agency for determining if the benefits sufficiently outweigh the overall costs.¹⁵⁹ Ethanol's critics, however, cite research by others, including the U.S. Government Accounting Office, that suggests the net environmental benefits of ethanol are far less pronounced or clear.¹⁶⁰ The regulatory outcomes of this debate will affect the future of Nebraska's ethanol industry and the job security of middle-class ethanol plant and agricultural workers.

The authors of this report do not seek to render a judgment on the environmental impacts of ethanol, as it is not the subject of this study. The issue nonetheless warrants the attention of foreign policy professionals because it illustrates the ways in which the climate change debate is directly related to middle-income jobs in Nebraska. It also shows that the climate change debate does not simply pit liberals against conservatives. In this instance, many of ethanol's strongest supporters and opponents both can be found in the Republican Party.

Ranching and Farming

While the debate on the environmental performance of ethanol has been ongoing for some time, it represents just a small part of a larger debate about the links between agriculture and climate change. The ways in which this debate plays out, and the resulting changes in the regulatory environment, could have profound implications for middle-class jobs across Nebraska's agricultural production complex.

Nebraska's ranching industry, which sits at the center of the agricultural production complex, is now in the firing line, for example. Recent studies increasingly draw attention to the link between livestock production and greenhouse gas emissions.¹⁶¹ A heated public debate has unfolded over the extent to which cows contribute to methane emissions. A representative of the Nebraska Cattlemen Association therefore worried about the beef industry being "unfairly villainized."¹⁶² As an interviewee in Omaha stressed, "It's important to take care of our planet, but it's also difficult to balance that with the way of life here in Nebraska."¹⁶³

The president of the Nebraska Farm Bureau asserted that the livelihoods of the state's farmers, in general, were on the line. Most farming and irrigation systems are energy-intensive, even as they reach record levels of energy efficiency, and many fertilizers are petroleum-based. A change in energy resources and related prices would directly impact the functioning of the farms. He cautioned that farmers did not have much margin for absorbing higher energy costs. Thus, while recognizing the different sides of the argument for cleaner energy, he nonetheless believed that his members "would fall on the side of making sure that we have what we need, at affordable prices for producers."¹⁶⁴

The bureau's president nonetheless cautioned against portraying farmers and ranchers as unconcerned about the environment. To the contrary, he stressed that "when it comes to farmers, farming, agriculture, taking care of the land . . . it's really all about making sure that those resources, whatever they are, are there for future generations . . . whether that would be energy, whether that would be water, whether that's soil conservation, all of them . . . farmers are the first conservationists."¹⁶⁵ They are also deeply concerned about achieving energy efficiencies, for both economic and environmental reasons. As one Columbus interviewee characterized the farming community, "We believe that we have to be environmental stewards. . . . If we don't respect and treat our land [in an] environmentally sound way, it's not going to produce and then we're not profitable."¹⁶⁶

Transportation and Coal

The various debates surrounding the links between climate change and agriculture are well known, but there are others playing out in Nebraska that might come as a surprise to foreign policy professionals in Washington, DC. As noted earlier, Nebraska is not just an agricultural state; it is also an important transportation state. Some of the best-paying jobs in the transportation sector are found on the railroads. Those rail jobs are now fully intertwined with actions to combat climate change, given that coal is one of the top products transported by rail.

Nebraska is not a coal-producing state, but a large share of the coal mined in the Powder River Basin of northeastern Wyoming and southeastern Montana, the nation's largest coal mining region, passes through Nebraska en route to the South and the Midwest. In 2014, 85 percent of Wyoming's exported coal was

transported through Nebraska.¹⁶⁷ As of 2015, coal was the top commodity moved to, from, and within Nebraska (by weight).¹⁶⁸ Union Pacific Railroad's Bailey Yard in North Platte is one of those transshipment points, and it anchors the city's economy. A former rail worker estimated that "of the 103 . . . trains that . . . go through a day or whatever it is now, you know, 70 percent or 60 percent of that was coal because [of] us being right on that Powder River Basin."¹⁶⁹ The railroad also employs a few thousand rail workers, accounting for 13 percent of the city's labor force.¹⁷⁰ Many of those rail jobs come with high salaries and generous benefits. It therefore came as a blow to the area when Union Pacific laid off a few hundred workers at the Bailey Yard in 2019 alone.¹⁷¹

Many traced those losses to decreased coal production. As one community leader explained, "The biggest employer in [our area] . . . is Union Pacific Railroad, and several things have been affecting them and one of them is decline in unit coal trains and that is related to policies and climate issues and there's probably no end in sight."¹⁷² As far as North Platte interviewees were concerned, well-paying rail jobs in their area will continue to be lost because of the drop in demand for coal due to regulations related to fighting climate change, among other reasons.

While the state clearly benefits from demand for coal and its transport by rail, it would be misleading to suggest or imply that Nebraskans expect the status quo to prevail indefinitely. To the contrary, those interviewed for this study expected the United States to transition to greater usage of renewable energy sources—not only ethanol but wind and solar power, too. Several focus group participants expressed pride that Nebraska was moving in that direction. An interviewee in Lincoln, for example, highlighted the various ways in which this was happening across the state:

*"Traveling from Kearney, they have built a solar farm. And they do it in a public-private partnership. It started out private, then they reached out to the city of Kearney. Central City in Nebraska has done it. Norfolk has done it. Our public power is embracing this and trying to demonstrate that they are an advocate because their customers want them to be an advocate of using more renewables, wind and solar. I know Lincoln Electric System, our public power utility, has about 45 percent of their retail coming from renewables."*¹⁷³

For those in the agricultural community, the key issue was to ensure that affordable energy remained available to them, regardless of the source. They were not wedded to coal.

"Of the 103 . . . trains that . . . go through a day or whatever it is now, you know, 70 percent or 60 percent of that was coal because [of] us being right on that Powder River Basin."

No one interviewed disputed that demand for coal would steadily diminish and coal-fired power plants would give way to plants powered by natural gas and renewable fuels. That recognition led people in North Platte to wonder about their economic futures, which to date have been heavily dependent on the regional hospital and railroad. They are rooting for Union Pacific to succeed in finding “other things they can ship when they can’t ship coal, because [if?] we’re not burning it for energy, then the jobs go away,” as one resident put it.¹⁷⁴ The challenges facing rural infrastructure and the relative isolation of North Platte from other cities may underlie some of this uncertainty, too.

Concerns Associated With the Climate Change Debate

Nebraskans have a clear, near-term economic stake in how the U.S. government regulates energy, agriculture, and transportation to combat climate change. They can see and quantify that economic stake. Thus, when it comes to making sense of ongoing policy debates, the long-term causes and consequences of climate change are not the first things interviewees spoke about when asked to comment on the subject. Immediate concerns dominate. Many of those interviewed worried about overregulation in the name of fighting climate change due to outside political pressures and influence. As noted earlier, such regulations materially impact their livelihoods, whether through the decreasing number of coal trains running through their communities or the changing requirements for livestock facilities. Others expressed general frustration with the politicized nature of the climate debate.

The debate over the Keystone XL Pipeline was certainly one clear example where politics loomed large, ever since the pipeline was proposed in 2008, eventually culminating in a legal challenge that ended up in the Nebraska Supreme Court.¹⁷⁵ But while the national debate put climate change at the center, the debate in Nebraska had a lot more to do with questions land use rights and local environmental impacts.

One focus group participant in Scottsbluff/Gering captured a prevailing sentiment in the room when he declared, “I think there’s so much partisan fighting. . . . And we don’t know what’s truth and what’s not. You know, the right loves coal and oil and all this stuff, and the left loves wind and solar. And you know what . . . the right will convince the people in the middle that solar . . . and battery-powered things are just as destructive to the environment as coal and oil. . . . I don’t think anybody knows what the truth is and I don’t . . . trust Washington to tell me what the truth is.”¹⁷⁶ Another participant in the same group added, “[We] can’t trust scientists. . . . Because if I’m a scientist and the government says, we’re having you research the environment and global warming, but if we don’t get the results we want, you’re going to lose your \$3 million grant.”¹⁷⁷

Meanwhile, on the other side of the state in Omaha, another focus group participant explained that it was not just about coming to common agreement on

the severity of the threat. People in his community were also confused about whether the measures being proposed were justified. He said, “I think people . . . question our ability to impact it [climate change] . . . especially in Nebraska, since we are such a small emission state. . . . Me and everybody can do their own small thing, but . . . these mega corporations and [their] building[s] . . . [are] having a bigger effect.”¹⁷⁸

An interviewee in Columbus conjectured that gross inconsistencies in the measures being proposed added to a sense of confusion and mistrust. He noted, for example, that it has become increasingly fashionable for people, especially in cities, to advocate the use of electric cars to reduce greenhouse gas emissions. But they often do so without asking how the energy for those electric cars would be generated. One cost-effective and emissions-free option would, in fact, be nuclear power—“a great carbon-free resource,” he reminded.¹⁷⁹ But rather than embrace the need for nuclear energy and deal with the political challenges associated with disposing of nuclear waste, the United States has been shutting down nuclear power plants in which it has invested billions of dollars. This is doubly unfortunate because nuclear power plants also are a source of well-paying jobs, as is the case at Nebraska’s Cooper Nuclear Station near Brownville, which employs almost 700 workers.¹⁸⁰

Notwithstanding these various frustrations with the nature of the climate change debate, transportation, energy, and livestock businesses are nonetheless planning for the impacts of a changing climate and potential regulatory changes. Focus group participants readily acknowledged the importance of agricultural producers taking care of their local environments. Agricultural producers themselves confirmed that they are considering additional value-added agricultural processes for which there is a growing market—and which, concurrently, could enhance what they are already doing to exercise responsible stewardship of the environment and prepare for the effects of climate change.

“I think people . . . question our ability to impact it [climate change] . . . especially in Nebraska, since we are such a small emission state. . . . Me and everybody can do their own small thing, but . . . these mega corporations and [their] building[s] . . . [are] having a bigger effect.”

FOREIGN AID

Very few Nebraskans interviewed mentioned foreign aid when asked about the ways in which U.S. foreign policy affected their economic interests. But, when prompted, several expressed a broad spectrum of opinions. Some believed the United States spent too little on aid. Others believed that the United States had to first address the considerable needs at home before it could do more for others abroad. The bigger debate, however, did not appear to be about the amounts the United States spent on aid but rather about who received it and how it was delivered. Notably, the fact that more U.S. food assistance is now delivered in cash, rather than in kind, appeared to influence some attitudes on the subject. Nevertheless, it did not appear that those interviewed held any strong or uniform views about foreign aid and its connection with the economic well-being of America's middle class when focus groups were conducted in 2019.

The context for discussions on foreign aid has dramatically changed since then, however, as a result of the coronavirus (COVID-19), which originated overseas and rapidly spread around the world and across all fifty U.S. states. The spread has resulted in the worst public health crisis that most Americans have experienced in their lifetimes. In addition to threatening individuals' lives and physical well-being, the measures required to contain the virus's spread have totally upended Americans' social interactions and way of life. And the economic consequences have been devastating, especially for middle-income households contending with business closures, lost wages, higher health-care and childcare costs, and precipitous declines in their retirement savings. One can assume that, in the wake of this crisis, more Americans, including Nebraskans, could see a connection between the economic interests of America's middle class and U.S. efforts to strengthen global health security systems to prevent the outbreak and spread of pandemic diseases.

Determining Foreign Aid Levels Based on What the United States Can Afford

When originally interviewed last year, long before the outbreak of COVID-19, many of those who expressed an opinion about foreign aid were not disputing

The bigger debate . . . did not appear to be about the amounts the United States spent on aid but rather about who received it and how it was delivered.

that it served a useful purpose to advance American values and interests. The question for them was what the United States could afford.

While not many interviewees pressed this view proactively, there were at least some people who believed the United States could afford to significantly increase foreign aid. For example, an interviewee in Lincoln bemoaned that the United States' international affairs budget had "continuously lacked, lacked, lacked [funds] for international aid, even though it is less than 1 percent [of the overall federal budget]." She believed it was important to highlight how relatively little the United States paid for aid, and what it got in return, so as to counteract the narrative that "we are just paying all of these countries to freeload off of us, and they come and criticize us." As far as she was concerned, "I can't imagine how much worse the situation would be for Americans abroad if we didn't offer aid and assistance."¹⁸¹

A focus group participant in Lincoln concurred that the United States was spending far less on aid than many Americans might realize. He disregarded the idea of balancing the national budget by cutting foreign aid because, as he stated directly, "foreign aid is less than 1 percent of our national budget."¹⁸²

Several focus group participants in Lincoln and Omaha, in general, conveyed that the United States needed a foreign policy that was not overly reliant on the U.S. military and employed other tools as well to promote U.S. values and interests, including foreign aid. As such, they were disinclined to reduce further what the United States now spent on it, especially given that foreign aid now occupied a relatively small share of the federal budget.

Others, such as a focus group participant in North Platte, contended that the United States was spending as much as it could afford and could not afford to do more. "I'm a firm believer in helping the needy . . . but we need to get ourselves in the right financial position before we can help everybody else, too."¹⁸³ A business leader in Lincoln likewise indicated that, rather than increasing foreign aid, "I would be more in favor of making sure we take care of people here in the U.S., you know, people that are in poverty in the U.S.," though the person qualified that statement by also saying, "but I don't know the magnitude of the various programs."¹⁸⁴

Determining Whether Foreign Aid Is Serving the Right Objectives

There were other focus group participants who, when originally interviewed, spoke less about what the United States could afford and more about whether it was spending whatever it did on the right things. One participant in Lincoln, for example, favored lending a hand to democratic governments that sought to assist their people. He noted that considerable U.S. aid was directed toward enabling nondemocratic regimes to purchase U.S. weapons. He said, "We are creating dictators, we are creating repressive forces, and of course that's not an official

policy, you don't see it on the State Department or on the Defense Department websites but that's what's happening. We are buying allies with tanks, missiles, military. To me, that's a terrible aspect of foreign policy."¹⁸⁵

A focus group participant in North Platte echoed a similar concern about who was actually on the receiving end of U.S. aid. "The argument is well, if you can do things to help the really starving people in Honduras, they won't want to immigrate to the United States. I'm not convinced that that's going to be the case. The real problem there though is that if we knew the foreign aid was going into the hands of the people who needed it, that would be one thing, but why would any of us believe that [Venezuelan President] Nicolas Maduro or any of these other foreign dictators are going to take out foreign aid and put it where we want it to be. That's the real challenge."¹⁸⁶

In a similar vein, an interviewee in Scottsbluff/Gering suggested that, in the United States, foreign aid had "gotten a bad reputation because we seem to be, in some instances, supporting governments that are sort of contrary to our image of government, but we do that to ourselves." That was unfortunate, in his mind, because he actually wanted to be spending more on promoting global health, arguing that "we've got a tool here that we can use that ought to lift our boat as well as theirs."¹⁸⁷

Preserving In-Kind Food Assistance

While many of the views noted above on foreign aid could just as easily be heard elsewhere around the country, a distinctive feature of the discussion in Nebraska pertains to food assistance, as some state officials reminded. Under in-kind food assistance programs, the U.S. government purchases surplus grains and other agricultural products grown at home to deliver to countries abroad.¹⁸⁸ It ships the grain on U.S.-flagged vessels. Proponents of these in-kind food assistance programs stress that they translate into U.S. jobs. Nebraska's agricultural and transportation sectors have been among the beneficiaries. One state policy-maker indicated that in-kind food aid is good for Nebraska because it provides a clear destination for its surplus produce and, in certain instances, is more likely to get to the intended beneficiaries than cash assistance.¹⁸⁹

Historically, all U.S. international food assistance was provided exclusively in-kind. However, over the years, humanitarian and development experts have criticized in-kind assistance for taking too long to reach recipients in need and for entailing high shipping and storage costs. They note that it is difficult to deliver this aid in conflict situations, where the needs are especially great. These experts have questioned whether such aid is delivering the nutrition recipients require or aligning with their dietary preferences. And they point out the negative effects it can have on local markets in developing countries. As a result, many international donors have converted their food assistance primarily to cash-based assistance.¹⁹⁰

The United States still primarily delivers in-kind food assistance, but it has steadily transitioned over the past decade toward providing cash-based assistance (through direct cash transfers or food vouchers) as well. This move has been welcomed by international development experts as a step in the right direction. Here in the United States, however, reactions on Capitol Hill have been more mixed.¹⁹¹ Even if not optimal in all instances from a development perspective, in-kind food assistance programs have a strong coalition of support for them, including in Nebraska.

A business owner in the Scottsbluff/Gering area explained how food aid programs helped Nebraskans at home:

*"The dry edible beans that [are] our principal crop out here are very much used around the world. In fact, you know, the Middle East is one of our largest markets besides Mexico for these dry edible beans and so when it comes to Food for Peace type programs, the consumption of those beans is very important to maintaining pricing out here. So the most food aid programs usually consist of a lot of beans and so it's [a] positive impact on our bean prices."*¹⁹²

Thus, some state officials interviewed worried that a more pronounced transition away from in-kind food assistance could therefore further erode support for foreign aid, at least in parts of the state.¹⁹³

A Desire for Evolutionary Not Revolutionary Changes in Foreign Aid

As in the case of U.S. trade policies, it seemed that, on balance, the Nebraskans interviewed were favorably disposed toward long-standing approaches to U.S. foreign aid. While there were those who favored increasing or decreasing the levels of assistance, for different reasons, they were the exception rather than the rule. The bigger concern was over the United States' making an even bigger shift away from in-kind food assistance toward cash-based assistance. In this respect, the discussions on foreign aid in Nebraska were quite distinct from those in Colorado and Ohio.

CHAPTER 8

COMPARING NEBRASKA, COLORADO, AND OHIO

One of the most striking findings to come out of the Nebraska, Colorado, and Ohio case studies is the extent to which people—in all three states, in rural and urban areas, in Trump country and Democratic strongholds—all held similar perspectives about the state of America’s middle class and its intersection with U.S. foreign policy. Where there were differences within or across states, they often reflected the prevailing economic interests for their communities and base industries. Thus, even in this moment of deep political polarization and hyper-partisanship, there is more common ground across party lines in the nation’s heartland than might be assumed by those working in Washington, DC, watching cable news, or living on social media.

The prevalent common ground is good news for those seeking to rebuild a national consensus on the United States’ role in the world. The bad news is that one of the uniting factors is a general erosion of trust in foreign policy professionals and policymakers in Washington, DC. It will be a tall order to regain this trust because it is not just a matter of adjusting individual policies or communicating better. It will require rethinking traditional conceptual and bureaucratic barriers separating foreign and domestic policy. It will also entail more explicitly defining the national economic interests intended to be advanced through U.S. foreign policy. And it will require coming to terms with how such definitions align, or do not align, with middle-class households’ expectations: the creation of more decent-paying jobs and the economic viability of local communities.

Shared Perspectives Within and Across the States

A diverse group from across America’s heartland—including die-hard Trump supporters in North Platte, Nebraska; progressive millennials in Denver, Colorado; moderate never-Trump Republicans in Columbus, Ohio; and swing voters in Dayton, Ohio—shared certain perspectives about the future of the middle class and the role of foreign policy. Their near consensus across political, economic, and geographic lines revolves around six main points:

- **There is confidence about the state of the U.S. economy but anxiety about the state of the American middle class.** The U.S. economy is growing, unemployment is low, and help wanted signs can be seen everywhere. The numerous job opportunities are welcomed. Even so, growth is not benefiting

everyone in the same way. It is becoming increasingly difficult for working families to sustain a middle-class lifestyle because many of these jobs pay low wages. Meanwhile, the perception is that household incomes for those in rural and urban areas alike are not rising fast enough to keep pace with increasing household costs, especially related to healthcare, housing, education, and childcare.

- **There is a lack of information about the U.S. role in the world.** Working families often find it difficult to determine how their economic interests are affected by most U.S. foreign policies, especially if they are not working in an area that is heavily dependent on what happens overseas. They are focused on their day jobs and on meeting their daily expenses. And even when they do pay more attention to U.S. foreign policy, it is difficult to know what to believe amid such politically biased and divisive commentary on the subject on cable news and social media.
- **There is an erosion of trust in foreign policy professionals (and in the federal government more generally).** Especially in the absence of more information about the U.S. role in the world, most Americans need to count on foreign policy professionals to be good at their jobs and to look after the interests of the American people. However, doubts abound that foreign policy professionals in Washington, DC, truly understand the economic realities confronting middle-income households or that they prioritize these realities in the development of U.S. foreign policies. The decisions these professionals make appear to be influenced far more those who have the resources and know-how to determine and lobby for policies that best serve their interests.
- **The economic effects of foreign policy for the middle class are measured by the impact on middle-income jobs and base industries on which these communities depend.** Few interviewed in Nebraska or the other states discussed how the totality of U.S. engagement around the world might help to stabilize the global economy or contribute to domestic economic growth and help lower the cost of living. Those interviewed were far more focused on how specific policies impacted working families locally in two main ways: the creation or elimination of jobs that paid enough to sustain a middle-class lifestyle and the impact on base industries that anchored local economies.
- **International trade tops the list.** While specific views on international trade differed in some instances, study participants across the three states uniformly viewed this aspect of foreign policy as having the most obvious impact on middle-income jobs and the base industries on which communities depended, both on the export and import sides. (The top issues after trade varied by state: FDI and defense spending in Ohio, defense spending and climate change/energy in Colorado, and immigration in Nebraska.)

- **There is support for peacetime spending even as there is skepticism about the wisdom of foreign military intervention.** There was debate within and across states, often along political lines, on what constitutes excessive military spending and an appropriate balance between discretionary defense and nondefense spending. That fact notwithstanding, those interviewed in all three states generally conveyed support for defense spending that keeps the U.S. military strong and, in the process, creates well-paying jobs, provides a pathway to the middle class for those without a college degree, and anchors some regional economies. Yet, at the same time, hardly anyone in the three states expressed enthusiasm for spending more money on new wars or major military interventions. Those interviewed feared such defense spending would be costly and deplete resources for badly needed investments at home.

Activities considered to be at the heart of U.S. foreign policy—such as diplomacy, foreign aid, and alliance management—did come up, too, but generally not from an economic standpoint. Opinions on these topics were offered from a variety of perspectives, ranging from keeping faith with American values, ensuring respect for the United States and its standing in the world, and promoting fairness in global burden sharing. When pressed to connect diplomacy, foreign aid, or alliances to the economic interests of the middle class, some argued that the United States was spending far less on aid than it should; others countered that the country was doing as much as it could afford. Some in Nebraska mentioned how increases or decreases in in-kind U.S. food assistance affected the U.S. agricultural economy. But generally speaking, those interviewed across the three states were often inclined to link diplomacy, aid, and alliances back to one of the six points above. The role of diplomats was acknowledged in the context of trade negotiations. Foreign aid came up in connection with developing overseas markets that would benefit U.S. trade. Alliance cohesion and diplomacy were seen by some as key to preventing costly wars. While their views have presumably changed since the measures required to contend with the spread of the coronavirus have wreaked havoc on the U.S. and global economies, very few people interviewed in 2018 and 2019 mentioned a connection between their economic interests and U.S. foreign assistance to build up international capacity to prevent the spread of pandemic diseases.

Meanwhile, those interviewed in all three states far more frequently, and of their own accord, brought up FDI, climate change and energy, and immigration as aspects of foreign policy that had a significant yet divergent bearing on their economic interests. While none of these issues fall squarely within the purview of foreign policy made in Washington, DC, views about the intersection of foreign policy and middle-class interests are clearly influenced by them. It is therefore important for foreign policy professionals to, at a minimum, become more familiar with how and why views on these issues, along with trade, differed within and across states.

Place-Based Economic Realities Drive Differences

To have a foreign policy that works better for the American middle class, it is not enough to just account for the points of consensus. It is also critical to acknowledge and account for the differences. Over the course of the three case studies, the differences observed within and between states illuminated the extent to which economic considerations and the industrial mix in different places—not just politics—are driving views on issues like trade, FDI, climate change and energy, and immigration.

In Ohio, the most heated debate was on U.S. trade policy. Those in smaller cities and towns that have suffered significant manufacturing job losses over the past few decades held deeply critical views of long-standing U.S. trade policies. They were willing to entertain major changes in those policies as part of a broader strategy for addressing many other economic challenges they faced—and for which trade served as a proxy. But others elsewhere in the state profited from past trade policies and worried about any proposed revolutionary changes. They included those working in northeastern agricultural areas of Ohio and high-end manufacturing and service-sector workers in Columbus, now the state's most-populous and fastest-growing metropolitan area.

Meanwhile, Ohioans were largely unified in their support of FDI, which accounts for almost the same number of jobs in Ohio as exports. Honda is now the state's top manufacturing employer. Competition with Japan in the 1970s and early 1980s was devastating for Ohio's manufacturing workforce. Today, Japanese investment is providing an economic lifeline to manufacturing towns that have seen U.S.-owned factories leave town. While opinions on recent experiences with Chinese FDI have been more mixed, most communities saw attracting FDI as a critical part of the strategy for economic development.

FDI also creates jobs and is welcome in Colorado, but it did not come up nearly as often as it did in Ohio. That is perhaps because the largest share of

FDI tends to be in manufacturing, as foreign firms locate production in close proximity to the North American markets they are supplying. Ohio is ideally situated for that purpose, in contrast to the Colorado Rockies. That said, Colorado does have some traditional manufacturing towns like Pueblo, where the top manufacturing employers are, in fact, foreign-owned, though it is not a major manufacturing state overall.

At the same time, because Colorado is not heavily dependent on labor-intensive manufacturing, it has been far less exposed to manufacturing job losses due to import competition, outsourcing, and offshoring. Therefore, increased international trade is more often seen as a job creator—including the high-end manufacturing products, technology, and professional business services the state exports from the Front Range; the international

The industrial mix in different places—not just politics—are driving views on issues like trade, FDI, climate change and energy, and immigration.

tourists it brings in on the Western Slope; and the agricultural goods it produces for export on the Eastern Plains. Thus, even though Colorado exports far fewer goods than Ohio, Coloradans were largely unified in supporting the general thrust of long-standing U.S. trade policies and anxious about unpredictable and abrupt changes to them.

However, Colorado is not without its own deep divisions. As a major producer of fossil fuels, as well as a national leader on environmental protection and renewable energy research, Colorado is experiencing heated debate on policies and regulations related to energy and climate change. The interests of those in Colorado counties that are reliant on coal, gas, and oil production for their economic survival are coming into conflict with the renewable energy and outdoor tourism sectors elsewhere in the state.

Nebraskans, on the other hand, were far less likely to compare and contrast the interests of different base industries across the state. That may be because they generally regarded the agricultural production complex as the most important globally connected base industry for everyone in the state, notwithstanding the fact that Nebraska now has an increasingly diversified economy. As detailed in Chapter 3, the agricultural production complex—spanning livestock and grain production, ag-related manufacturing and equipment, transportation, and warehousing—affects all parts of the state and transcends the usual urban-rural divides. Indeed, many professionals in Lincoln and Omaha still have a professional and personal connection to farms and ranches in rural areas. Thus, an agricultural worldview predominates across the state on issues like international trade but also on topics like climate change and energy.

Economic considerations also drive Nebraskans' convergence of views on immigration and refugee resettlement. As detailed earlier in Chapter 4, participants were unified in their strong support for increasing legal immigration. They were not simply talking about making it easier to obtain seasonal workers to work on the farms and killing floors in meat-packing plants. In rural areas, they were calling for increasing legal immigration to address shortfalls in the numbers of nurses and doctors in regional hospitals, skilled employees in manufacturing facilities, and talented workers for local economic and business growth.

Rural counties across the United States have been contending with population decline and chronic workforce shortages. But given Nebraska's low numbers of in-migration from other U.S. states, increasing immigration and refugee resettlement is a critical part of the strategy for addressing chronic workforce shortages. Numerous Nebraskans therefore expressed concern that, under the Trump administration, the inflow of refugees resettling in their state had declined.

This is not to say that Nebraska does not experience anti-immigrant or anti-refugee sentiments. In fact, some of those interviewed reported that such feelings had increased in the Trump era. But the overwhelming support was for increasing legal immigration and sustaining refugee resettlement, provided that

the United States does not embrace open borders and that such migration is consistent with their economic interests.

Nor is this to say Nebraskans were of one mind on all aspects of foreign policy. Far from it. There were obvious differences when it came to attitudes on U.S. foreign policy in general, and political leanings certainly account for some of these differences (in Colorado and Ohio as well). For example, liberal educators and retirees in Lincoln and Omaha blasted Trump for alienating U.S. allies, betraying the country's values, and badly damaging its standing in the world. Some self-professed traditional Republicans expressed some sympathy for those criticisms. But Trump supporters elsewhere in the state claimed that certain criticisms were borne of biased reporting in mainstream media outlets. They praised Trump for demonstrating strength on the global stage and not letting other countries, like China, push the United States around.

But when interviewees in Nebraska were pressed to get back to the local economic implications of specific foreign policies, politics tended to give way to the bottom line for those in the agricultural production complex. Trump supporters said that they stood by the president as he pushed back against Chinese trading practices but that they suffered as a result of Chinese retaliation and could not afford for it to go on indefinitely. Meanwhile, even the president's critics stressed the importance of passing the USMCA, especially given that NAFTA might have been terminated if the USMCA had not been adopted.

Ultimately, place-based economic considerations appeared to drive attitudes on the intersection of U.S. foreign policy with the perceived economic interests of America's middle class. But foreign policy professionals are often loath to be influenced by place-based concerns, fearing it could unduly politicize the making of U.S. foreign policy, which has to focus on the interests of the nation as a whole. Part of the gap that has widened between those in the heartland and those in Washington, DC, appears to stem from this dynamic.

Implications for Foreign Policy Professionals

In their forthcoming final report, Carnegie task force members will evaluate how these findings stack up with national polling and economic data. They also will assess other foreign policy-related issues that did not come up in focus groups and interviews but can significantly affect middle-class well-being. Finally, reflecting on the totality of this information, they will offer concrete recommendations for specific policy changes, starting with first order questions. These recommendations will include how foreign policy professionals define the national economic interests being advanced through U.S. foreign policy.

As they define these national economic interests, members of the national security and foreign policy community will need to address how they relate to the two issues that mattered most to interviewees across Nebraska, Colorado, and Ohio: the creation of decent-paying jobs and the economic viability of local

communities. Domestic policy experts have long been debating these issues, but foreign policy professionals have largely stayed clear of these debates. That may need to change.

Jobs

At a minimum, foreign policy professionals should be asking themselves hard questions to determine whether there is some validity to the critique that they are not prioritizing the creation of middle-class jobs sufficiently in the policies and approaches they champion. For example, are the issues they prioritize in trade negotiations creating or preserving decent-paying U.S. jobs? What should be the top priority in international economic policy for meeting that objective? Would changing priorities have an effect on the cost of living for American households? Is there a way to attract even more FDI that creates well-paying jobs, while allaying fears of a race to the bottom on wages and safeguards for workers, as U.S. cities and states compete with one another to secure deals?

There are a host of other questions to consider too. Would an increased focus on middle-income jobs alter U.S. priorities and positions in its economic negotiations with China? Should the United States counter China's aggressive industrial policies to dominate certain sectors of strategic significance by making far greater investments of its own in research and development, workforce development, and U.S. industries? Can it make such investments in a way that concurrently creates more well-paying middle-class jobs, potentially drawing on the defense budget to meet at least a portion of the cost? How should the guns-versus-butter debate on defense spending, more generally, be managed in connection with the implications for middle-class jobs? What more should be done through U.S. foreign policy to anticipate and prevent catastrophic events, such as the rapid global spread of pandemic diseases, that threaten not only lives but middle-class jobs and livelihoods as well? Are major reforms of bureaucratic structures and processes required to enable better cooperation between senior national security leaders and their domestic counterparts involved with workforce development and job creation?

These are just some of the aspects of foreign policy that deserve another look through the prism of placing greater emphasis on aiding the middle class. These inquiries raise complicated questions that defy simple solutions. The same is true, perhaps even more so, with respect to pursuing foreign policies that are more sensitive to place-based considerations.

Place

Foreign policy professionals cannot and should not be asked to pick winners and losers among different communities across Nebraska, Colorado, Ohio, and other

Foreign policy professionals should be asking themselves hard questions to determine whether there is some validity to the critique that they are not prioritizing the creation of middle-class jobs enough in the policies and approaches they champion.

states. It makes sense, therefore, that they have long defaulted to focusing instead on the net benefits for the country overall. And they have counted on economic adjustment assistance programs, such as TAA, to offset the pain for communities that find themselves on the losing end of foreign policy-related changes.

However, the problem with relying on economic adjustment assistance programs, as discussed at length in the Ohio report, is that TAA has severe limitations. From a place-based perspective, it was never designed to help entire communities reinvent their economic bases following the closure or relocation overseas of top employers that had long anchored local economies. This assistance therefore ended up only temporarily cushioning the blow for many workers who lost well-paying jobs and had no choice but to move elsewhere or take the leftover lower-paying ones. Meanwhile, numerous communities have experienced workforce declines and fear being turned into ghost towns, as a new generation moves to where better jobs can be found. The inadequacy of TAA for manufacturing towns may provide a cautionary tale for the ongoing discussions related to climate change and defense spending.

The Trump administration has tried to address the place-based challenges for some communities by, for example, promising to “bring back” lost manufacturing jobs and protect well-paying coal-mining jobs, as well as by preserving defense sector jobs through massive increases in the defense budget. Herein lie some of the perils of a place-based approach that seeks to compensate communities whose base industries are vulnerable or have been on the losing end in the past. It can run counter to the interests of many other places in the United States. For instance, steel tariffs and the trade war with China have hurt various communities’ economic bases. Critics would also argue that this approach cannot even deliver on all the promises for the intended beneficiaries in the near term or be sustained over the long term.

These are some of the challenges that need to be addressed to make U.S. foreign policy work better for the middle class. And if foreign policy professionals can visibly make headway on them, it could help to rebuild trust that they are indeed understanding and prioritizing middle-class concerns. The three case studies make clear that regaining such trust is perhaps more important than any single set of policy changes that Carnegie’s task force members could propose. That trust is vital if foreign policy professionals expect Americans to, at times, set aside their political differences and narrow, short-term economic interests in pursuit of strategic, long-term goals guiding the overall direction of U.S. foreign policy. Those interviewed across all three states assumed that they were only seeing a fraction of the impacts of U.S. foreign policy on their economic well-being. They would like to trust that U.S. foreign policy professionals in Washington, DC, and those positioned around the world are managing all aspects of foreign policy effectively, with the concerns of the country’s middle class in mind.

APPENDIX A: LIST OF INTERVIEWEES

Statewide

Cindi Allen, assistant secretary of state, Nebraska Secretary of State's Office
Cobus Block, Nebraska Department of Economic Development
Robert Evnen, secretary of state, Nebraska Secretary of State's Office
Jessie Herrmann, vice president of legal and government affairs
Steve Nelson, president, Nebraska Farm Bureau
Pete Ricketts, governor
Steve Wellman, Nebraska Department of Agriculture
Angel Velitchkov, Nebraska Secretary of State's Office

Columbus

K.C. Belitz, nonprofit
Tammy Bichlmeier, Columbus Area United Way
Larry Brenner, Kosch Financial
James Bulkley, mayor
Brian Williams, economist, Nebraska Public Power District
Jim Hellbusch, manufacturing
Troy Loeffelholz, superintendent
Katy McNeil, administrative assistant in education
Vanessa Ocegueda, public education
Elizabeth Rodriguez, office manager
Dale Rosendahl, Rosendahl Farms Seed and Feed
Anonymous, Columbus Area Chamber of Commerce
Anonymous, education
Anonymous, former teacher, retired
Anonymous, electric utility, Nebraska Public Power District
Anonymous (nine Columbus residents)

Kearney

Charles Bicak, University of Nebraska at Kearney
Brock Elsen, agriculture
Duane Kristensen, agriculture/ethanol

Satoshi Machida, professor
 John McCoy, Orthman
 Mike Peck, Rabo AgriFinance
 Elizabeth Roetman, employment agency
 Derek Rusher, Kearney Area Chamber of Commerce
 Dulce Valdez Espinoza, education
 Anonymous (four Kearney residents)

Lincoln

Andy Hunzeker, chief financial officer, Lincoln Industries
 Ryan Anderson, UNL Office of Research and Economic Development
 Dennis Berens, healthcare (State of Nebraska), retired
 Bruce Bohrer, Lincoln Chamber of Commerce
 Laurie Colburn, Nebraska Department of Education
 Sheila Dorsey Vinton, chief executive officer,
 Asian Community and Cultural Center
 Noah Greenwald, Lincoln Partnership for Economic Development/
 Nebraska Angel Investors
 Gary Heaston, consultant, employee benefits, retired
 Bruce Johnson, retired
 Peter Levitov, UNL, retired
 Kayla Meyer, Lincoln Partnership for Economic Development
 Sandra Miller
 Randall Moody, lawyer/lobbyist, retired
 Martin Neary, hospitality
 Renae Ninneman, nonprofit
 Lana Novak, retired
 Kari Schmitz, Hudl
 Joe Seewald, Osher Lifelong Learning Institute
 Harriet Turner, Hispanic Studies, emerita
 Jason Varga, nonprofit
 Gary White, education
 Christa Yoakum, Nebraska Appleseed (nonprofit)/
 Lancaster County commissioner
 Anonymous, business owner
 Anonymous, community outreach specialist
 Anonymous, director of talent strategy,
 Lincoln Partnership for Economic Development

Anonymous, economist, professor, attorney, and editor
Anonymous, public health nurse
Anonymous, college professor, retired
Anonymous, education, retired
Anonymous, Waverly, retired
Anonymous, UNL, retired
Anonymous (nine Lincoln residents)

North Platte

Lisa Burke, executive director, North Platte/Lincoln County Visitor Bureau
Cassie Condon, North Platte Area Chamber of Commerce and
Development Corporation
Alan Erickson, self-employed
Levi Fisher, Equitable Bank
Nolan Gurnsey, Linden Court
Jereme Hartman, Edward Jones financial adviser
Joseph Hewgley, private business, county government
Duane McClain, agribusiness real estate broker
Gary Person, president and chief executive officer, North Platte Area
Chamber of Commerce and Economic Development Corporation
Eric Seacrest, Mid-Nebraska Community Foundation
Anonymous, banking
Anonymous (six North Platte residents)

Omaha

Ethan Fickbohm, Omaha Jaycees
Rosey Higgs, program director
Nathan Jones, Assurance Business Solutions
Lou Ann Linehan, state senator
Jeff Mikesell, senior military liaison, Greater Omaha Chamber
Chris Rodgers, chairman, Douglas County Board of Commissioners
Michael Salerno, vice president of global banking,
First National Bank of Omaha
Craig Stoffel, vice president of global logistics, Werner Enterprises
Lance Dixon, Werner Enterprises
Anonymous, social work student
Anonymous, works with/promotes business development
Anonymous, education
Anonymous (two Omaha residents)

Scottsbluff/Gering

Karen Anderson, Scottsbluff/Gering United Chamber of Commerce

Jacob Aulick, Aulick Industries

Tom Holyoke, attorney

Nathan Johnson, city manager

Charles Knapper, risk manager, Aulick Industries, and

Scotts Bluff county commissioner

Starr Lehl, economic development director

Don Osborn, marketing

Owen Palm, 21st Century Equipment

Kelly Strey, sales representative, B&C Steel

Bryan Venable, economic development

Susan Wiedeman, Gering city council member

Anonymous (six Scottsbluff/Gering residents)

APPENDIX B: EXTENDED METHODOLOGY

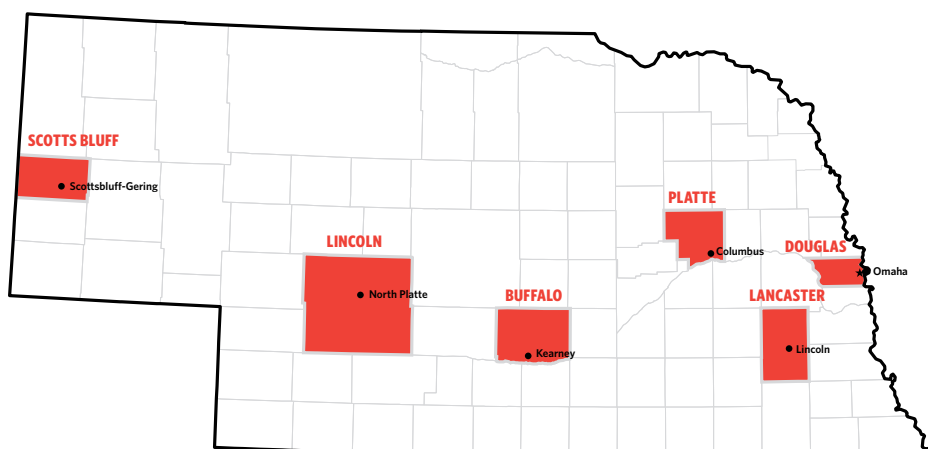
Recruitment

Prior to data collection, the research team identified communities of interest covering geographical areas of the state that would maximize viewpoints from various economic sectors, including manufacturing, agriculture (ranching, farming, and processing), agribusiness, insurance, banking, and education. The communities are highlighted in Figure 8. The research team opted to avoid the state's northeastern area because its communities were still under stress from flooding.

The research team used a snowball sampling technique to identify community leaders, agricultural leaders, business leaders, and community residents to participate in the study from each community.¹⁹⁴ A research team member contacted identified leaders at local chambers of commerce, economic development departments, or city or county administrative offices to seek recommendations for interview or focus group participants. A team member then scheduled a one-day immersive site visit in each community, where up to ten interviews and up to two focus groups were conducted.

FIGURE 8

Interview and Focus Group Areas



Procedures

Each scheduled interview lasted no longer than forty-five minutes and included between two and five members of the research team. Each focus group lasted no longer than ninety minutes and included five team members. Interviews and focus groups followed a semi-structured interview format that assessed (1) what foreign policies were relevant to the person, organization, or community; (2) what changes to foreign policies were recommended; (3) which foreign policies most impacted Nebraska; (4) what factors influenced Nebraska's middle class; and, if time permitted, (5) specific reactions to foreign policies of interest. Each interview and focus group was audio recorded.

After the conclusion of each interview, the participant(s) completed a short postsurvey to identify how she or he elected to be attributed and provide demographics. Some interviews were also conducted via video conference using Zoom. A copy of the full interview protocol can be found below. After the conclusion of each focus group, the participant(s) completed a short postsurvey to identify how she or he elected to be attributed and provide demographics. Participants in the focus group were provided with refreshments and a \$50 incentive for their time. A sample of the interview protocol can be found below.

Interview Protocol

Interviews and focus groups began by introducing the UNL and Carnegie interview team, the purpose of the study, and the interview format. The interviewee(s) was/were also given background on how the team would be using the term U.S. foreign policy: "U.S. foreign policy in general refers to the way in which the United States pursues its interests in the world, through its interactions with other countries and international institutions. For the purposes of this study, U.S. foreign policy includes foreign aid/development assistance; defense spending and national security strategy; and trade, economic, and commercial relations with other nations."

After the initial introduction, the conversations were driven by the following set of questions:

1. **Please briefly describe your role in the community or state (asked only in interviews).**
2. **Are there particular foreign policies or items that affect you more directly?**
 - a. *Prompt:* How are you learning about these changes to foreign policies (for example, local chambers of commerce, the Small Business Administration, the Nebraska Department of Economic Development, the news)? How do you learn about foreign policy and trade changes or issues of interest?
 - b. *Prompt:* When you think about U.S. foreign policy, what policies or practices come to mind?

c. *Prompt:* How do you think others in your community (or in Nebraska) think about trade and foreign policy? In regard to their business decisions or economic decisions?

3. How, if at all, do you think about trade in your daily business or economic decisions? What about foreign policy?

a. *Prompt:* How do changes in trade policy impact your decisionmaking?

b. *Prompt:* What more do you need to know about foreign policy and trade to better inform your decisionmaking, if anything?

4. What foreign policies do you feel are most relevant to your community?

a. *Prompt:* How might others in your community consider foreign policies? (ask only if additional prompts are needed)

b. *Prompt:* How do you think others in your community (or in Nebraska) think about trade and foreign policy? In regard to their business decisions or economic decisions?

5. In what ways do you think foreign policy impacts the economic well-being of Nebraska?

6. What, if any, changes would you like to see in trade or foreign policies that would improve economic well-being?

7. How, if at all, do you feel you have a voice or influence on U.S. foreign policies?

8. Prompt: (if topics were not brought up earlier): What, if any, interactions have you had with international organizations or individuals?

a. Services exports: technology, travel, tourism, medical

i. Travel—military, visa processing, embassies

b. Agriculture: trade, stability, commodity prices, shipping

c. Energy: sources, export, environmental issues

d. Defense: military and aerospace industries

e. Foreign aid: development assistance

f. Trade: embargoes, tariffs

g. Workforce: guest workers in Nebraska (skilled, documented, or undocumented), Nebraska's workers that are abroad, Nebraska companies located elsewhere or vice versa

h. Other

9. How, if at all, do you think foreign policies impact the economic wellness of the middle class in your community?

a. *Prompt:* What factors influence a person's or household's economic wellness in the middle class in your community?

Analysis

Interviews and focus groups were each transcribed, yielding 689 single-spaced pages. Transcripts were uploaded to Atlas.ti®, a qualitative software package. Next, the interviews were initially coded using the constant comparative technique.¹⁹⁵ This resulted in thirty-nine total codes falling under four families: foreign policies, general concerns, industry sector, and community. The research team collaboratively constructed a coding guide with a broad definition for each code and family. Once a codebook was established and agreed upon, all interviews and focus groups were coded independently.

Once initial coding was complete, the report function of Atlas.ti® was used to generate a list of quotations for each code and co-occurrences of each code. The lists of quotations were reviewed by the coders, who employed a deductive process to arrive at themes for each area. Themes were thus identified from the data rather than from a prescribed codebook. The University of Nebraska Public Policy Center research team reviewed the fourteen themes with the rest of the research team.

The units of analysis are the interview or focus group transcripts. Some interviews were conducted with individuals and some were conducted with groups of individuals; at least one focus group was held in each community (see Table 8).

Participant demographics were assessed via the postsurvey. Postsurvey data were analyzed for descriptive statistics to report on the diversity of participants.

TABLE 8

Focus Groups and Interviews by Community

Community Name	Number of Interview Participants	Number of Focus Group Participants
Statewide/Nebraska	8	0
Omaha	7	4
Lincoln	13	29
Columbus	13	13
Kearney	6	6
North Platte	6	12
Scottsbluff/Gering	7	6

Blueprint Nebraska Methodology and Analysis¹⁹⁶

In addition to interviews and focus groups, the research team considered information from the recently completed Blueprint Nebraska survey. Blueprint Nebraska is a strategic plan developed by a group of business, industry, and civic leaders who released a report, which was partly based on a survey of the economic concerns of Nebraskans and which offered a detailed set of proposals for addressing them. The Blueprint Nebraska plan was established based on a survey that gave Nebraskans the opportunity to provide feedback on various topics including agriculture; banking and finance; community vitality; educational attainment; energy and natural resources; entrepreneurship; healthcare; housing; leadership, diversity, and inclusion; manufacturing; mega-sites for future development; military and veterans' affairs; taxation and incentives; technology and innovation; transportation; and workforce.

The survey was conducted online between August 2018 and December 2018; 4,839 people completed and submitted responses to at least one item on the survey. The survey was initially intended for business owners but later opened up to the general public; therefore, respondents are not statistically representative of Nebraska's sociodemographic profile. Data from that survey were compared with data from this Nebraska case study to understand how, if at all, topics and themes are consistent over time.

The Blueprint Nebraska survey information was analyzed using the Text iQ function in Qualtrics®. Topic words were used to identify potential themes regarding foreign policy. Topic words included things such as trade, energy, tariffs, and immigration. For each survey question asked, the list of topics would indicate the number of times a topic was mentioned. Then, topics were sorted into groups according to whether they were mentioned in a foreign context. From there, themes were identified and topics were further sorted based on the opinions that individuals had on the topic. For example, trade was sorted into two groups based on whether the respondents had mentioned trade within a foreign context and was then further sorted into two themes: for or against trade.

APPENDIX C: NEBRASKA'S ECONOMY AND WORKFORCE

Nebraska's economy is historically agricultural-based. While this tradition continues, its economy has become increasingly diversified. As shown in Tables 9 and 10, Nebraska's service industries—including trade, transportation and utilities, and education and healthcare—contribute substantially to the state's GDP and employment. Nebraska, however, lags behind the nation as a whole in terms of the share of its economy in several high-wage industries, such as information and the professional, scientific, and technical services component of the professional and business services industry.¹⁹⁷

Recently, job growth in Nebraska has been highest among manufacturing, accommodation, food services, and support services (such as document preparation and clerical services, cleaning services, and hiring and search services).¹⁹⁸ However, manufacturing growth is projected to slow down in Nebraska over the long term.¹⁹⁹ It has already fallen behind national growth trends.²⁰⁰

Meanwhile, service industry employment is expected to grow by 1.2 percent to 1.3 percent per year through 2022. Service industry jobs already account for eight of the top ten occupations in Nebraska, though many of these jobs pay less than middle-income wages (see Table 11). Thus, to attain middle-income status, many Nebraskans work more hours per week and hold multiple jobs (see Chapter 4).

The agricultural industry has similar symptoms of workforce shortages and some low-paying jobs. But while the strictly defined industry—characterized as “establishments primarily engaged in growing crops, raising animals, harvesting timber, [or] harvesting fish and other animals from a farm, ranch or their natural habitat”—may only make up less than 1 percent of employment, it is a dominant part of the economy.²⁰¹ At 5 percent of GDP, agriculture in Nebraska contributes significantly more to its economic output than it does in most other U.S. states. Moreover, as noted in Chapter 2, the industry's statistics do not capture the larger web of industries directly related to the agricultural production complex. The complex includes processing, transportation, warehousing, manufacturing, finance and insurance, and other service industries, among others. Thus, many of the manufacturing and service jobs detailed above are directly or indirectly related to this industry. The dominance of agriculture in production and

processing/manufacturing in Nebraska is what is thought to drive much of the stability in the economy.²⁰²

Overall, the state's economy, influenced by the agricultural production complex and its growing service industry, expects moderate economic growth to continue through 2022 but at a pace slower than the national rate.²⁰³

TABLE 9

Nebraska's Economy Is Diversified: GDP

Industry	Nebraska GDP, 2018 (\$, millions)	Nebraska GDP Compound Annual Growth Rate, 2008-2018	Nebraska Share of Total GDP	U.S. Share of Total GDP
Trade, Transportation, and Utilities	\$28,559	4.3%	23.0%	16.1%
Finance, Insurance, Real Estate, and Leasing	\$24,873	6.0%	20.1%	20.9%
Government and Government Enterprises	\$15,644	3.3%	12.6%	12.4%
Manufacturing	\$13,538	3.1%	10.9%	11.3%
Professional and Business Services	\$11,510	3.5%	9.3%	12.5%
Educational Services, Healthcare, and Social Assistance	\$10,568	4.0%	8.5%	8.7%
Agriculture, Forestry, Fishing, and Hunting	\$6,045	1.1%	4.9%	0.8%
Information	\$3,731	2.4%	3.0%	5.2%
Leisure and Hospitality	\$3,440	4.5%	2.8%	4.2%
Construction	\$3,333	-0.6%	2.7%	4.1%
Other Services	\$2,516	3.1%	2.0%	2.1%
Mining, Quarrying, and Oil and Gas Extraction	\$201	2.7%	0.2%	1.7%
Total	\$123,978	3.8%		

SOURCE: Bureau of Economic Analysis, "Annual Gross Domestic Product by State 2008 and 2018," last updated November 7, 2019, <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>, accessed February 7, 2020.

TABLE 10

Nebraska's Economy Is Diversified: Employment

Industry	Nebraska Nonfarm Employment, 2018	Nebraska GDP Compound Annual Growth Rate, 2008-2018	Nebraska Share of Total Employment	U.S. Share of Total Employment
Trade, Transportation, and Utilities	201,300	-0.2%	20%	18%
Government and Government Enterprises	173,500	0.6%	17%	15%
Educational Services, Healthcare, and Social Assistance	155,600	1.3%	15%	16%
Professional and Business Services	119,200	1.2%	12%	14%
Manufacturing	99,700	-0.2%	10%	9%
Leisure and Hospitality	92,200	1.1%	9%	11%
Finance, Insurance, Real Estate, and Leasing	73,900	0.7%	7%	6%
Construction	52,300	0.6%	5%	5%
Other Services	36,800	0.4%	4%	4%
Information	17,700	-0.8%	2%	2%
Mining and Logging	1,100	1%	0%	0%
Total Nonfarm Employment	1,023,300			

SOURCES: Bureau of Economic Analysis, "Annual Gross Domestic Product by State 2008 and 2018," last updated November 7, 2019, <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1>, accessed February 7, 2020. Bureau of Labor Statistics, "Current Employment Statistics—State and National, Not Seasonally Adjusted Annual Averages 2008-2018," <https://data.bls.gov/cgi-bin/dsrv>, accessed February 10, 2020.

*Nonfarm employment by industry varies slightly from employment reported in Table 3 due to variation in the sources' methods of sampling.

TABLE 11

Many of Nebraska's Top Occupations Pay Lower Than Middle-Income Wages for Single-Worker Households

Top Ten Occupations	Total Employment, May 2018	Percent of Total Employment	Median Income
Retail Salesperson	27,220	3%	\$23,650
Cashiers	20,550	2%	\$22,100
Combined Food Preparation and Serving Workers, Including Fast Food	20,090	2%	\$21,610
Heavy and Tractor-Trailer Truck Drivers	20,010	2%	\$45,050
Registered Nurses	19,660	2%	\$62,530
Waiters and Waitresses	13,940	1%	\$20,460
Nursing Assistants	12,480	1%	\$28,160
Teacher Assistants	10,390	1%	\$26,430
Meat, Poultry, and Fish Cutters and Trimmers	10,020	1%	\$34,770
Elementary School Teachers, Except Special Education	9,920	1%	\$56,800

SOURCE: Bureau of Labor Statistics, "Occupational Employment Statistics: May 2018 State Occupational Employment and Wage Estimates: Nebraska," https://www.bls.gov/oes/2018/may/oes_ne.htm.

APPENDIX D: TRADE IN NEBRASKA

In 2018, the Nebraska Department of Economic Development and Department of Agriculture reported that the state exported approximately \$10.2 billion worth of goods, growing 29 percent since 2010. Nebraska's top exports were agricultural-related. As shown in Figure 9, the state's top-three exported products were, in order: soybeans, corn, and beef and beef products.²⁰⁴

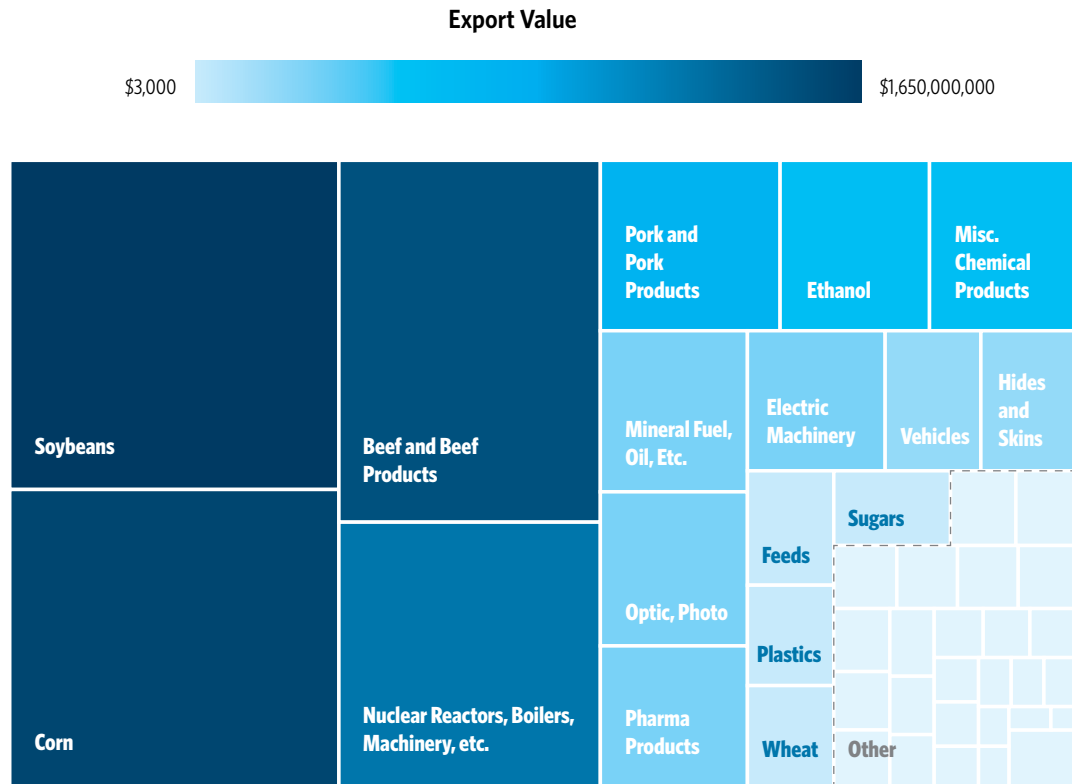
The geographic distribution of the state's agricultural export products follows a clear geographic pattern, as shown in Figure 10. According to the Nebraska Farm Bureau, the state's most productive counties, in terms of export value, are largely situated across the center of the state, adjacent to the Platte River and Interstate 80.²⁰⁵ Nebraskans were most concerned with foreign policies and, specifically, trade agreements that affected the dominant agricultural products in their respective counties.

Nebraska's dominant export markets are U.S. trade agreement partners. Of these, North America is the top destination for the state's goods, with Canada and Mexico receiving 18.5 and 12.1 percent of exports, respectively. Mexico accounts for 25 percent of all corn exports from the state, and Canada is a major destination for nonagricultural products, such as nuclear reactor parts and mineral fuel, in addition to beef. According to the Nebraska Departments of Economic Development and Agriculture, at 12.3 percent of exports, Japan was a slightly larger market for exports than Mexico in 2018. It was the destination of almost 30 percent of Nebraska's beef and beef product exports. The country is also a major importer of corn, pork, and soybeans. South Korea and China are the fourth- and fifth-largest export destinations, making up 7 and 6 percent of Nebraska's export market, respectively. Like Japan, both are major importers of Nebraska's top agricultural exports.²⁰⁶ Other countries in Southeast Asia, such as the Philippines and Vietnam, are viewed as prime areas for future export growth.²⁰⁷

The 2019 data reported by the U.S. Census Bureau show that exports have decreased from Nebraska over the last year. While U.S. census data likely under-report the amount of agricultural exports from Nebraska—due to being based on origin of movement rather than production (see endnote)—this information provides insight into more recent export trends for the state.²⁰⁸ Exports to North American partners have grown substantially since 2016 but experienced a slight

FIGURE 9

Nebraska's Dominant Exports Are Agricultural-Related
2018 Nebraska Exports



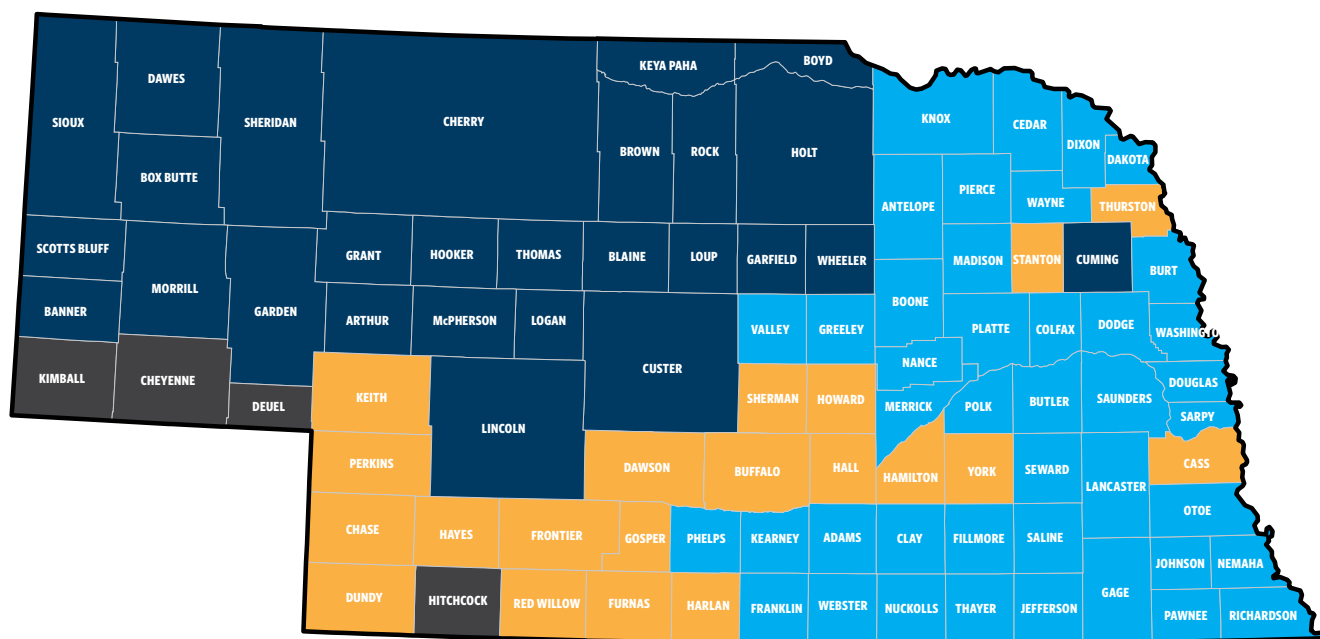
SOURCE: Nebraska Department of Economic Development and Nebraska Department of Agriculture, "Nebraska Exports," using U.S. Census Bureau and U.S. Department of Agriculture's Foreign Agricultural and Economic Research Services, updated October 10, 2019, <https://opportunity.nebraska.gov/research/nebraska-exports/>.

downturn this past year. Japan and South Korea also experienced only a slight reduction in exports last year after three years of continuous growth.²⁰⁹ But exports to China decreased more substantially, by 27 percent, since the trade war began in 2017. This was largely a factor of reduced imports of Nebraska soybeans as well as hides and skins, a major import for the last nine years. The decoupling from China's import market could likely change with recent reports of China planning to increase U.S. soybean imports after signing the phase one trade deal with the United States in January 2020.²¹⁰

In terms of jobs supported by exports, the International Trade Administration estimated that Nebraska exports supported approximately 53,000 U.S. jobs in 2015—57 percent of which were supported by manufactured goods exports.²¹¹ The Brookings Export Monitor report indicates that, in 2017, 51,300 jobs in Nebraska were directly related to exports, and another 42,000 jobs—mainly in

Nebraska but also in other warehousing, transportation, and distribution states—were supported by Nebraska exports.²¹²

Trade in Nebraska has a substantial impact on the state's economy, largely through agricultural trade with Canada, Japan, and Mexico, as well as significant markets in China and South Korea. The perceived significance of international trade and Nebraskans' opinions on the issue are detailed in Chapter 3.



Estimated Top Export Commodity by County, 2016

SOURCE: Nebraska Farm Bureau, "Nebraska Agriculture and International Trade," 2016 data, <https://www.nefb.org/images/FEDeration/PDFs/NE-Agriculture-International-Trade.pdf>.

APPENDIX E: COST OF TRADE BARRIERS TO NEBRASKA'S CONSUMERS

It is difficult to isolate the impact of tariffs on the economy broadly and on prices for final goods and services specifically—that is, the higher prices that household consumers pay. This appendix provides one accounting of the implications of tariffs on increased costs of final goods and services for middle-income households in Nebraska. It is estimated that the tariffs in place in 2017 increased household costs for Nebraska's consumers but not demonstrably so. However, if the additional tariffs subsequently imposed in 2018 and 2019 were to become permanent, they would take a more significant toll on Nebraska's households in the middle-income bracket.

Table 12 shows the estimated total nominal cost of tariffs to U.S. consumers in 2017. The table implicitly assumes that tariffs on imported goods are borne by U.S. entities rather than the country of origin, as found by Amiti et al.²¹⁵ The first two columns show the value of imports and exports of goods by industry in 2017, before the Trump administration imposed the 2018 and 2019 rounds of tariffs. It is useful to focus on pre-2018 tariffs so as to provide an example of the cost of long-term tariff policies for U.S. consumers because it is unknown whether tariffs introduced in 2018 and 2019 will be permanent.

The administration has argued that these recent tariffs were imposed to encourage trading partners to open up their markets to U.S. goods and services and, in the case of China, to halt practices that violate the intellectual property rights of U.S. companies. Thus, from this perspective, these tariffs may be lifted when trade negotiations are resolved in the future. For example, tariffs imposed on \$120 billion of Chinese goods on September 1, 2019, are being reduced as part of the phase one trade deal signed in January 2020 (the burden of tariffs imposed in 2018 and 2019 will still be considered later in this section).

The estimated tariffs on imported goods that would impact domestic consumers amounted to \$30.9 billion in 2017. Just over one-third (36.2 percent) of that total, or \$11.2 billion, was imposed on goods in the apparel and accessories industry. That industry did not have the largest value of imports but had the highest tariff rate, along with leather and allied products and textile mill products. Leather and allied products accounted for 13.1 percent of import duties imposed in 2017. Presumably, many of these types of products are final goods nearly

TABLE 12

Estimated Cost of Tariffs to U.S. Consumers, 2017

Industry	Exports (\$, millions)	Imports (\$, millions)	Estimate of Imports Staying in U.S. (\$, millions)	Duty (\$, millions)	Duty on Imports Staying in U.S. (\$, millions)
Agricultural Products	66,080	37,207	24,410	57	37
Livestock and Livestock Products	1,819	6,185	5,833	4	3
Forestry Products	2,727	2,740	2,212	2	2
Fish, Fresh or Chilled and Other Marine Products	5,467	16,253	15,194	7	7
Oil and Gas	43,550	119,294	110,860	117	109
Minerals and Ore	17,863	5,685	2,225	2	1
Food and Kindred Products	62,599	60,864	48,741	815	653
Beverages and Tobacco	7,227	23,572	22,173	98	92
Textile and Fabrics	8,428	8,128	6,496	365	291
Textile Mill Products	2,778	21,643	21,105	1,345	1,312
Apparel and Accessories	2,808	84,153	83,609	11,292	11,219
Leather and Allied Products	2,925	37,815	37,249	4,109	4,047
Wood Products	7,561	20,204	18,740	199	185
Paper Products	23,668	19,847	15,264	48	37
Printing, Publishing & Similar Products	4,791	5,561	4,633	1	1
Petroleum and Coal Products	82,912	63,797	47,740	134	101
Chemicals	181,272	221,116	186,017	1,763	1,483
Plastic and Rubber Products	29,830	52,689	46,912	1,320	1,175
Nonmetallic Mineral Products	11,030	23,205	21,069	715	650
Primary Metal Products	52,039	91,798	81,720	339	302
Fabricated Metal Products	39,314	69,124	61,510	1,485	1,321
Machinery, Except Electrical	116,490	168,654	146,095	1,199	1,038
Computers and Electronic Products	114,686	399,262	377,053	736	695
Electrical Equipment, Appliances and Components	44,053	110,710	102,179	1,841	1,700
Transportation Equipment	251,068	385,935	337,314	3,713	3,245
Furniture and Fixtures	4,678	42,009	41,103	84	82
Miscellaneous Manufactured Commodities	44,572	122,121	113,489	1,232	1,145
Total	1,232,237	2,219,570	1,980,939	33,022	30,932

SOURCE: U.S. Bureau of Economic Analysis, U.S. Census Bureau, 2018; and U.S. International Trade in Goods and Services, December 2017, FT-900 Supplement, Exhibit 1 (February 6, 2018), <https://www.bea.gov/system/files/2018-02/trad1217.pdf>, accessed August 23, 2019.

***NOTE:** The estimates exclude the \$238.6 billion in 2017 imports that were ultimately reexported according to U.S. Census Bureau data. The burden of import tariffs was borne by foreign customers in this case. To estimate the impact of tariffs on U.S. consumers, import tariffs were reduced by \$238.6 billion. The reduced tariff burden was allocated to individual industries according to each industry's share of total 2017 exports.

ready to be sold to consumers. Outside of this handful of industries, U.S. tariffs on imported goods were relatively modest prior to 2018.

At a per-person rate, the cost of 2017 import tariffs was \$95.18 for U.S. consumers (see Table 13). This additional cost is equivalent to \$0.002 (one-fifth of one cent) per \$1 of U.S. consumer expenditures.

Yet these are likely underestimates. In calculating per-person and per-dollar costs, it is implicitly assumed that the cost of tariffs is fully passed on to final consumers. Retail items such as apparel that are imported are passed on to consumers by distributors and retailers. Tariffs on parts that are imported by manufacturers to produce goods for the domestic market are ultimately passed on to consumers. Imported construction materials that are subject to tariffs are ultimately passed on to consumers in the form of higher housing costs or higher costs for retail or service purchases (in the case of construction materials used for business buildings). Even given this assumption, these tariff costs are likely significant underestimates. While firms paying an import tariff could raise prices by less than the costs of the tariffs, firms also may raise costs by more than the costs of the tariff. The outcome would depend on competitive conditions in each impacted industry.

More importantly, Table 13 only refers to higher prices for consumers on imported items. Domestic producers of items subject to tariffs also would be able to raise their prices, and these additional costs would not be reflected in Table 13. Also not included are the costs to consumers of any import quotas or other nontariff trade barriers that were present in 2017. Finally, the table does not consider costs to U.S. consumers due to so-called deadweight loss.

Next, to predict consumer costs for middle-class households in Nebraska specifically, household-income data are used. Following definitions used by the Pew Research Center, middle-class households are defined as middle-income,

TABLE 13

Cost of Tariffs to Consumers

Estimated Increase in Consumer Costs From Import Duties (\$, millions)	\$30,932
U.S. Consumer Spending 2017 (\$, millions)	\$13,305,559
Population, 2017	324,985,539
Increase in Consumer Costs From Import Duties Per Dollar Consumer Spending (\$)	\$0.002
Increase in Consumer Costs Per Person (\$)	\$95.18

SOURCES: U.S. Bureau of Economic Analysis, U.S. Census Bureau, 2019; 2017 Total Personal Consumption Expenditures (PCE) by State (Table SAEXP1), <https://apps.bea.gov/itable/itable.cfm?ReqID=70&step=1>, accessed March 7, 2020; and U.S. Census Bureau, Annual Estimates of the Resident Population of the United States for the United States, Regions, States and Puerto Rico, April 2010–July 1, 2019, <https://www.census.gov/data/tables/time-series/demo/popest/2010s-national-total.html>, accessed March 7, 2020.

ranging from the lower end of middle-income (two-thirds of the median income) to the higher end of middle-income (double the median income) in 2016.²¹⁶ Table 14 estimates consumer costs for middle-income, three-person households because the average household size in Nebraska is 2.46 people.²¹⁷ Estimates are made by applying the tariff cost per dollar of U.S. domestic consumption in Table 13 (\$0.002 per dollar spent) to consumer expenditures for households at three income levels: \$40,902, \$61,353, and \$122,705.²¹⁸

U.S. consumers units (such as households) with income in the \$39,609–51,801 range consume \$1.03 for each \$1 of pre-tax income, while consumers with income in the \$51,802–66,897 range spend \$0.91 for each \$1 earned, and consumers with income in the \$109,743–155,555 range spend \$0.71 for each \$1 of pre-tax income. The share of pre-tax income spent declines as income rises since the effective tax rate and the savings rate both rise. The annual consumption expenditure for middle-income three-person households is between \$42,066 and \$86,720 per year.

The tariff cost of \$0.002 per \$1 spent is applied to these expenditure estimates to indicate that a three-person household at the lower bound of the middle class in Nebraska would pay tariffs of \$98 per year. A median-income three-person household would pay tariffs of \$130 per year, and a three-person household at the upper bound of the middle class would pay tariffs of \$202 per year.

Thus, it is estimated that the low tariff regime present in the United States prior to 2018 would only affect the middle-class status of Nebraskans within a few hundred dollars of the upper and lower bounds of the middle-class income range. However, it is important to remember that the full cost of tariffs is higher because domestic producers of products subject to tariffs also can charge higher prices, and consumers also bear those higher prices. In addition, consumers would face the costs from deadweight loss and any costs due to quotas or other nontariff trade barriers.

TABLE 14
Cost of Tariffs to Middle-Income Households

Location in Nebraska Income Distribution	3-Person House- hold Income Level	Ratio of Consumption to Pre-Tax Income	Estimated Consumption Spending	Spending Due to 2017 Tariffs
Lower-Middle Income	\$40,902	102.85%	\$42,066	\$97.79
Median Income	\$61,353	91.20%	\$55,955	\$130.08
Upper-Middle Income	\$122,705	70.67%	\$86,720	\$201.60

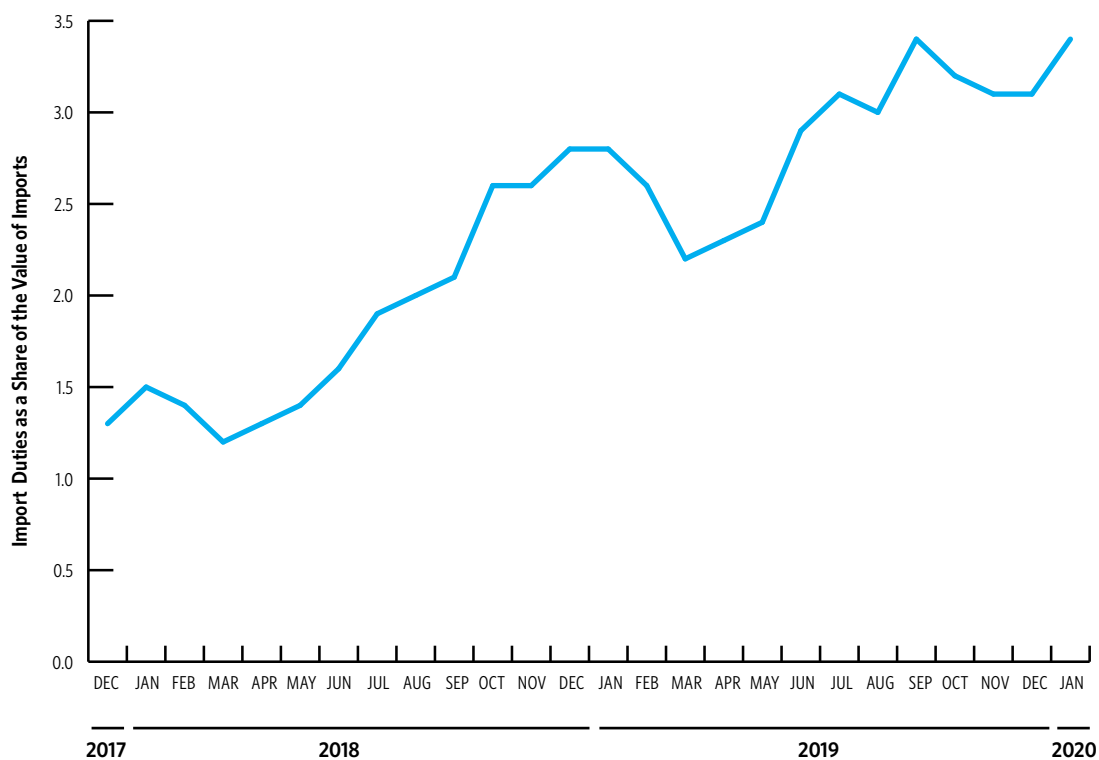
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***NOTE:** The cost per person (\$0.002 per dollar spent) is based on all households, including very high-income households. Consumer costs per person would be much less for persons in middle-income households.

Finally, tariffs imposed in 2018 and 2019 likely have doubled the tariff costs on imported items for middle-income three-person households in Nebraska (see Table 14). As shown in Figure 11, the average tariff applied on imported goods rose from 1.3 percent in December 2017 to a 3.0 to 3.4 percent range between July 2019 and January 2020. A larger number of households near the lower bound of the middle-income range in Nebraska would be in danger of falling out of the middle-income bracket, at least while these 2018 and 2019 tariffs are in place. Yet the tariffs that were imposed on \$120 billion in Chinese goods on September 1, 2019, will be cut in half from 15 percent to 7.5 percent in February 2020.²¹⁹ Additional tariffs imposed during 2018 and 2019 may be reduced or eliminated in future trade negotiations.

FIGURE 11

Import Duties Increased After 2017



SOURCE: U.S. Bureau of Economic Analysis, U.S. Census Bureau, "U.S. International Trade in Goods and Services December 2017-January 2020," FT-900 Supplement, Exhibit 1, https://www.census.gov/foreign-trade/Press-Release/ft900_index.html#2019, accessed March 7, 2020.

ABOUT THE AUTHORS

Salman Ahmed (editor and project director) is a senior fellow at the Carnegie Endowment for International Peace. He previously served as special assistant to former president Barack Obama and as senior director for strategic planning at the National Security Council. He has also served at the State Department and the United Nations and has taught at Princeton University.

Tarik Abdel-Monem is a senior research specialist at the University of Nebraska Public Policy Center.

Wendy Cutler is vice president of the Asia Society Policy Institute. She last served as an acting deputy U.S. trade representative under former president Barack Obama, following three decades of experience as a career U.S. trade negotiator.

Rozlyn Engel is a nonresident scholar at the Carnegie Endowment for International Peace and a distinguished professor at the U.S. Naval Academy. She previously held the role of senior career executive in charge of the Office of Macroeconomic Analysis in the U.S. Treasury Department, as well as economic intelligence positions at the Office of the Director of National Intelligence.

Allison Gelman (assistant editor) is the research assistant and program coordinator for the Geoeconomics and Strategy Program at the Carnegie Endowment for International Peace.

David Gordon is a senior adviser for the Geoeconomics, Geopolitics, and Strategy Program at the International Institute for Strategic Studies. He previously served as director of policy planning under former secretary of state Condoleezza Rice and as vice chairman of the National Intelligence Council under former president George W. Bush.

Jennifer Harris is a senior fellow at the Hewlett Foundation. She previously served on the policy planning staff under former secretary of state Hillary Clinton and on the National Intelligence Council under former president George W. Bush, covering economic statecraft. She co-authored *War by Other Means: Geoeconomics and Statecraft*.

Lieutenant General (Retired) Douglas Lute is a distinguished chair at West Point, president of Cambridge Global Advisors, and senior fellow at Harvard's Belfer Center. He formerly served as the U.S. ambassador to the North Atlantic Treaty Organization, deputy national security adviser for Iraq and Afghanistan, and director of operations (J3) on the Joint Chiefs of Staff.

Jill O'Donnell is the director of the Clayton Yeutter Institute of International Trade and Finance at the University of Nebraska-Lincoln. She is also a professor of practice at the university.

Daniel M. Price is the managing director at Rock Creek Global Advisors. He previously served in former president George W. Bush's administration as the senior White House official responsible for international trade, investment, development, energy security, and climate change.

David Rosenbaum is the associate director of the Bureau of Business Research and a professor of economics at the University of Nebraska-Lincoln.

Christopher Smart is chief global strategist at Barings and head of Barings Investment Institute. He formerly served as special assistant to former president Barack Obama for international economics and as deputy assistant treasury secretary (leading a response to the European financial crisis).

Jake Sullivan is a nonresident senior fellow at the Carnegie Endowment for International Peace and co-chair of National Security Action. He formerly served as national security adviser to former vice president Joseph Biden, director of policy planning under former secretary of state Hillary Clinton, and chief counsel to U.S. Senator Amy Klobuchar.

Ashley J. Tellis is the Tata Chair for Strategic Affairs and a senior fellow at the Carnegie Endowment for International Peace. He previously served as special assistant to former president George W. Bush and senior director for strategic planning and Southwest Asia at the National Security Council.

Eric Thompson is the Karl H. Nelson professor of economics and the director of the Bureau of Business Research at the University of Nebraska-Lincoln.

Janell C. Walther is a senior research manager at the University of Nebraska Public Policy Center. She is also a lecturer at the University of Nebraska-Lincoln.

Tom Wyler is the senior vice president for global strategy at PSP Capital. He formerly served as counselor and senior adviser for international economics under former secretary of commerce Penny Pritzker and was responsible for managing the Department of Commerce's global economics team.

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College of Business

730 N. 14th Street
P.O. Box 880405
Lincoln, NE 68588
Business.UNL.edu



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3625 East Campus Loop South
Room 202
Lincoln, NE 68588
Yeutter-Institute.UNL.edu

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215 Centennial Mall South, Suite 401
Lincoln, NE 68588
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